



## Gap closes between IMF and Turkey

By David Tonge

THE POSSIBILITY of a lessening of the tension between Turkey and the International Monetary Fund is emerging. Tomorrow, the IMF holds an unofficial meeting of its Board of directors to discuss whether the time has come to resume negotiations with Mr. Bulent Ecevit's government.

Officials say it is still premature to claim that the Fund has eased its demands for austerity and devaluation of the Turkish lira. Turkey, they add, will have to carry through a programme of austerity measures. Mr. Ecevit began to announce moves in this direction ten days ago.

Despite Mr. Ecevit's recent attacks on the IMF's prescriptions, a more relaxed mood is evident. Contacts between the Turkish Government and IMF officials have continued through the week.

Whether the IMF should decide to postpone some of its demands, in particular for devaluation, could be decided at the Board meeting. Negotiations between Turkey and the IMF have been suspended for three months but are crucial, since the Western governments which have undertaken to help Turkey, and Western banks, are demanding that Turkey mend its fences with the IMF.

The Western governments who agreed on this aid at the Gaudeloupe summit have asked the Organisation for Economic Co-operation and Development to co-ordinate their efforts. Turkey's representative at the Fund, the Belgian banker M. Jacques de Groot, will be reporting to the board on his meetings in the past week in Paris and Brussels. He will also report on the visits by Mr. Emilio Van Lempe, OECD Secretary-General, to the EEC and to Ankara.

Mr. Van Lempe said when leaving Ankara on Sunday that he was hoping for "co-operative action" with the IMF and banks joining in the efforts of the OECD countries. "We also hope that the World Bank will fit their actions within this context. Also the EEC," he added.

Apart from government-to-government loans, Mr. Van Lempe said he was looking for resumption of export credit guarantee cover.

In the past 10 days, Mr. Ecevit's Government has raised the prices of basic goods such as petrol (by 90 per cent), sugar (30 per cent), margarine (33 per cent), iron and steel (an average 40 per cent) and coal prices (up to 33 per cent). Vehicle prices have been raised by 25 per cent.

Such measures have provided easy targets for Mr. Süleyman Demirel, the Opposition leader. Despite his Government's policies being largely responsible for today's crisis, he has been denouncing the measures as "daylight robbery."

He has also compared Ecevit with Allende—though this jibe at least has rebounded since the military do not like to be considered as liable to act at any outsiders' behest.

## EEC FARM MINISTERS

# Silkin adamant against price rises

FARM PRICES will have to be frozen for the next four years if EEC production of surplus commodities such as milk and sugar is to be brought into line with demand, Mr. John Silkin, the British Minister of Agriculture, said yesterday.

His demand for a price freeze is the only major item on Britain's "shopping list" at this year's farm price review which started getting down to details yesterday. The other big issue is likely to be the proposed tax on milk production, the Community's biggest surplus. The nine Governments agree that excess milk production should be curbed, but each is determined to tailor the tax in a way

which would exempt its own farmers as far as possible. It became clear, however, that the British Government, preoccupied with domestic troubles such as tomorrow's confidence vote in the Commons, was adopting a passive role.

Mr. Silkin suggested that for this year, the price freeze was already won. "Only the French seriously think there will be a rise this year," he said. While France, as current president of the Council of Ministers, was lining up other Farm Ministers for bilateral talks and pressing its case for a rise of up to 2.5 per cent, Mr. Silkin indicated that he did not plan any such activity.

"We have explained our views 100 times. They cannot be in any doubt as to what we think," he said. "They all know what has got to be done. What is the point of further talk?"

Britain, the only EEC member to come out firmly in support of a price freeze, has threatened to veto any amendments which raise prices. However, its reluctance to lobby actively for support among the other member states has led to speculation that Mr. Silkin, facing the possibility of an early domestic election, might not be averse to confrontation.

France, and to a lesser extent

Ireland and Belgium, want a price rise. The others appear ready to accept a freeze, albeit reluctantly. But the Commission is worried that intense lobbying by France over the past few weeks may succeed in isolating Britain.

Should eight members agree on a small price rise, the Commission would find it hard to resist the pressure to change its proposals. New proposals would require a unanimous vote, which Britain would undoubtedly block.

However, the Commission expects an even bigger battle over its proposals to tax milk production and would prefer to avoid confrontation on prices.

## Big gains for Left in French local polls

By Robert Maudner in Paris

THE OPPOSITION Socialist and Communist parties have emerged as the big winners of the French cantonal elections after the final round of voting on Sunday.

The two left-wing parties ousted centre-right government coalition incumbents from 190 departmental council seats and won control of at least eight of these regional assemblies, in which the government parties had previously held a majority. The Socialists alone captured 553 of the 1,847 council seats at stake, a gain of 188, while the Communists won an extra 32 seats. But, though the UDF, President Giscard d'Estaing's main supporters, lost 84 seats and the Gaullist RPR 48 seats, the government parties remain in control of a little more than 50 per cent of the 96 departmental councils.

The left-wing parties normally do well in local elections and the swing against the Government was generally expected. In France, as in other countries, the electorate's grievances are more easily translated into anti-Government votes in local polls than in a general election.

However, the cantonal elections had been given advanced billing as the first test of the Government's popularity since the March 1978 general election, and the big gains made by the left do not doubt reflect some of the widespread discontent with Prime Minister Raymond Barre's economic and industrial policies.

For the Socialists, who polled nearly 33 per cent of the total votes cast in the second round, compared with 22.4 per cent for the UDF, 17.3 per cent for the Communists and 11 per cent for the Gaullists, the outcome was particularly heartening.

The Socialists' off-again-on-again claim that they are the biggest party in the country was substantiated, at least as far as local elections are concerned. The voters' choice also indicated that they had not been alienated permanently by the bitter quarrels between the Socialists and Communists.

M. Francois Mitterand, the Socialist leader, commented: "The fact that the left has shown so much dynamism and yet is still supported by so many French people shows a desire for unity which must be taken into account."

There was some comfort for the Government, however. All seven of the 40 members of the Government, who stood as candidates in the cantonal elections, won their seats. For President Giscard, not the least consolation was that the UDF, with 430 seats, came out well ahead of the Gaullists with 278 seats, and that M. Jacques Chirac, the Gaullist leader, lost the presidency of the Corréze departmental council.

The relatively disappointing result for the Gaullists, who have been harassing the Government of which they are officially members on a host of issues, ranging from European to economic policy, should do something to restore unity in the coalition's ranks.

## Carter moves to reduce red tape in Washington

By DAVID BUCHAN IN WASHINGTON

PRESIDENT CARTER yesterday sent to Congress proposals for what he called the first comprehensive overhaul of Government regulations in 30 years. Seeking to put his managerial stamp on the regulatory machinery, Mr. Carter's proposals would require agencies to analyse the costs and benefits of new regulations, to review all existing regulations every 10 years, and to reduce the "bureaucratic mass of paper" work, bureaucracy and delay confronting business.

The proposals would extend to the independent regulatory agencies, such as the Federal Trade Commission and the Interstate Commerce Commission, rules that Mr. Carter has for the past year already applied to the executive agencies such as the Environmental Protection Agency.

Mr. Carter complained that the cost to business and consumers of complying with Government regulations has steadily risen. When he arrived in Washington, the President said there were some 90 separate regulatory agencies, issuing some 7,000 new rules each year.

Despite some successes, such as the scrapping by the Occupational Health and Safety Administration, of 1,000 of its rules, the situation was still broadly the same.

President Carter last year made a reduction in federal regulation a feature of his anti-inflation programme. According

to some estimates, the cost of environmental regulation has added about 0.8 per cent a year to the consumer price index, while economic regulations that restrict competition in the trucking and railway sectors have probably added even more.

Last week the Administration proposed a measure of deregulation.

## Teamsters vote

EARLY returns in a nationwide vote by members of the Teamsters Union ran overwhelmingly in favour of authorising a strike when their contract ends in March 31. Reuter reports from Washington.

Although the union negotiators asked for the poll a week ago, most local branches voted only at the weekend. A strike by a big wage increase would cripple the Carter Administration's anti-inflation drive.

tion for the railways, and it has been threatening to do the same with the trucking industry. The new proposals are likely to win some backing from business and industry, which have complained loudly about the costs of regulation. On the other hand, environmental and consumer groups may oppose them on the grounds that streamlining regulatory procedures may weaken protection for individuals.

## Cuba exiles bomb airport

NEW YORK—A suitcase exploded on its way to the hold of an airliner carrying 181 people at Kennedy International Airport on Sunday night, and two New Jersey buildings were bombed. An anti-Castro terrorist group has claimed responsibility.

The bombs were placed by the "Omega 7" group, according to a telephone call received by the Associated Press (AP). The male caller, speaking with a Spanish accent, promised that "similar actions will continue."

Police said a bag containing at least three sticks of dynamite exploded in the Trans World Airlines (TWA) baggage area at Kennedy at 8:45 p.m. The suitcase was among luggage workers preparing to take it to TWA Flight 17, waiting on the runway for a flight to Los Angeles at 9 p.m. Four baggage handlers were injured, none seriously.

Several calls warning of the bomb were received by various police agencies and TWA, but they all came after the explosion which suggested that it had gone off prematurely.

In New Jersey, explosions about two hours after the Kennedy blast damaged the offices of the New Jersey Cuban programme in Weehawken, and the Elmaceen Pharmacy in Union City.

The Cuban Programme is working to free political prisoners in Cuba, and Elmaceen Pharmacy exports medical products to Cuba.

The caller said the three organisations "are part of a fifth column created by Castro in the U.S. to satisfy his need for American dollars."

## Satellite crashes in Canada

By Victor Mackie in Ottawa

THE SECOND Soviet satellite to crash in Canadian air space in 14 months' crashed over the Northwest Territories on Sunday, the Canadian Defence Department has announced. The satellite, Cosmos 1515, hit the night sky. Canadian Defence officials described the crash as "a routine re-entry."

The satellite was allegedly powered and carried no radioactive material. Canadian officials apparently were not notified of the impending crash until Sunday evening, as much as 18 hours after the North American Air Defence (NORAD) Command, in Colorado Springs, Colorado, had tracked it as dropping out of orbit.

Information about the satellite had been included in routine messages for nearly two weeks, NORAD said. Cosmos 1515 had been expected to crash later in its orbit, 6,000 miles away over the Middle East.

In January, 1978, a nuclear-powered Soviet satellite plunged to earth in the north of Canada. Emergency services tracked down the uranium debris, and a bill amounting to several million dollars has been submitted to the Russians.

A surprise attempt by the Trudeau Government to push through its long-lingering anti-Arab boycott legislation in one day last week was blocked by two Opposition MPs. The Government will introduce it again today.

The anti-boycott legislation has suddenly assumed great importance, because the Government is courting a Jewish vote in Toronto for the coming election.

## Record machine tool business expected

By STEWART FLEMING IN NEW YORK

THE U.S. machine tool industry expects orders and shipments in the first quarter of 1979 to surpass the record pace set in 1978 when orders rose by 51 per cent to a record \$4.3bn.

But analysts warn that the industry's performance should not be taken as indicating the likely direction of the U.S. economy, arguing that special factors are increasing machine tool industry orders and shipments.

There is also concern that, because of the order boom, the industry is approaching peak capacity. Order books are now being filled for up to 18 months ahead. Earnings gains for many companies are not expected to match increases reported last year, and it is thought the industry could be more vulnerable to imports.

In the first two months of this year, machine tool orders are up by 54 per cent to \$965.7m, according to the National Machine Tool Builders Association. Over the same period, shipments in the industry are 26 per cent higher than a year ago.

Export orders have also risen sharply, by 73 per cent to \$108m in the first two months, reflecting quickening economic activity overseas and the devaluation of the dollar.

The machine tool industry has traditionally been seen as a barometer of economic activity, albeit a volatile one. But the present boom is widely attributed to special circumstances in a few industries. Thus, the aerospace industry, a big machine-tool market, is preparing to launch a new generation of passenger jets. Another is the U.S. motor industry, which is engaged in a major capital investment programme aimed at increasing the fuel economy of its automobiles to meet Government regulations.

Demand from these industries is expected to remain strong for at least the next two years, although there are doubts as to whether their requirements will be sufficient to offset a decline in orders from other sections of the economy if the U.S. goes into recession later this year.

The machine tool industry historically has been very sensitive to quite modest changes in final demand. The bulk of the industry comprises perhaps 400 companies, employing only about 82,000 people. It is estimated, and because of its relatively small size capacity fills up quickly when prime customers begin major investment programmes.

## Norway oil to lure investment

By FAY GJETER IN OSLO

NORWAY'S OFFSHORE oil is a bargaining counter that can be used to promote the country's industrial development, says the Labour Government in a White Paper published at the weekend. And recent developments on the international oil market have sharply increased the value of this bargaining counter.

The oil-for-new-industry policy which the White Paper elaborates aims at encouraging foreign industrial groups to establish industries in Norway, or to place long-term orders for Norwegian goods—such as aluminium parts for cars—which will allow existing industries to expand.

The paper says Norway can offer two kinds of "bait" to foreign concerns or governments in return for industrial benefits: a stake in offshore oil concessions, or the promise of regular oil deliveries over a long period.

Norwegian oil companies, particularly Statoil, the state oil company, will soon have at their disposal much more oil than Norway needs for the home market. When agreeing to export oil and gas to be piped abroad, the Government will seek to secure industrial co-operation agreements that will offer domestic industry new opportunities for development.

Here, however, the White Paper strikes a cautionary note: "In view of the great uncertainty which has arisen about future supplies of oil and oil products in the Western world, circumspection must be shown in earmarking large amounts of the crude which will be at Statoil's disposal."

Negotiations in connection with Norway's fourth offshore licensing round have shown much scope there is for industrial co-operation, continues the White Paper.

Agreements reached or in train are likely to show results in the fields of mining, heavy engineering, car parts, metal processing, chemicals, petrochemicals, deep water technology, research and development, marketing, training schemes and licence agreements.

"Concrete talks" have been held with Sweden, Denmark, Finland and West Germany, and "contacts" have been made with France and the Netherlands.

Meanwhile, the Government has authorised the Oil and Energy Ministry to take the necessary steps to cut Norway's oil consumption by 5 per cent, in accordance with the decision of the International Energy Agency (IEA).

Officials in disagreement with the target proposed by the IMF for the reduction in the 1979 current account deficit.

Despite an improvement in Portugal's external position last year (current account deficit fell from \$1.5bn to just over \$920m), officials here agree it will be difficult to maintain such a performance this year because of the effects of international price increases.

Portugal's trade deficit last year was mainly offset by a substantial increase in immigrant remittances (up by 45 per cent to \$1.6bn) and a favourable balance in tourism, up by 57 per cent to \$421m).

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## Another trade deficit for Italy

By OUR ROME STAFF

THE MOUNTING economic problems which will face whatever government finally emerges in Italy were underlined last night with the news of a \$131.8bn (\$188m) trade deficit in January.

The deficit, of \$145.4bn (\$202m) in December, and compares with a deficit of \$123.9bn (\$172m) in January, 1978. Although recent returns suggest the volume of trade may have been understated, the figures suggest that the overall trade position is weakening after the almost unprecedented feat of virtual balance achieved last year.

The deterioration of the external front has also coincided with a rise in inflation to an annual rate of more than 13 per cent. Both trade and prices are likely to be adversely affected by the rise in OPEC oil prices in recent months, which is likely at least to be confirmed by the meeting of oil producers in Geneva.

The tendency of an economy in recovery to sink in extra energy imports was illustrated by the 16 per cent increase in Italy's "oil" deficit in January to \$136.9bn (\$187m), compared with 13 months earlier.

When that failed, Sig. La Malfa argued for a concept of "national unity," which first involved parliamentary abstention, and then active support, by the Communists.

Finally, in what must be seen as a belated tribute, he became the first non-Christian Democrat to be asked to form an administration in Italy for 34 years. His failure was perhaps inevitable, but it produced one memorably gloomy observation that sums up many of his political views.

Asked if there was any hope of avoiding the dissolution of Parliament and an early general election, Sig. La Malfa replied: "It's not the dissolution of Parliament, it's the dissolution of Italy that we are talking about."

Before his historic summons by President Sandro Pertini to try to form a government himself in February this year, his last office was that of Deputy Prime Minister under the late Sig. Aldo Moro. But for many years he had played an influential behind-the-scenes role in shaping what change there had been in Italy's

assisted political structure. In the early 1960s he helped promote the entry of the Socialists into government, under the so-called Centre-Left formula.

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## Loss that complicates Andreotti's task

By OUR ROME STAFF

ITALY'S eight-week-old Government crisis dissolved briefly as politicians of every party mourned the loss of Sig. Ugo La Malfa, the Republican leader who died early yesterday.

Sig. La Malfa, 75, who was Deputy Premier and Budget Minister in the apparently doomed Administration of Sig. Giulio Andreotti, never recovered consciousness after being rushed to a Rome clinic, having suffered a severe brain haemorrhage.

His death complicates still further the task of the Prime Minister, whose three-party coalition Government is due to face a Parliamentary vote of confidence within the next

week, when it is widely expected to fail.

As many politicians emphasised in their tribute to Sig. La Malfa, arguably the most respected of Italy's remaining leaders and in overall charge of economic policy, the sense of vacuum at the heart of the State has increased.

Former President Sig. Giuseppe Saragat described him as "the conscience of his country." Sig. Sandro Pertini, 82, the current President, who had hardly moved from Sig. La Malfa's bedside since Saturday, lamented the loss of a "sure friend and a man whom we needed."

Sig. La Malfa's death also casts a feeling of deep uncertainty over the future of the Republican Party, which because of his own standing and the calibre of the men he attracted to it, enjoyed an influence out of all proportion to the 3 per cent of votes it won at the last election.

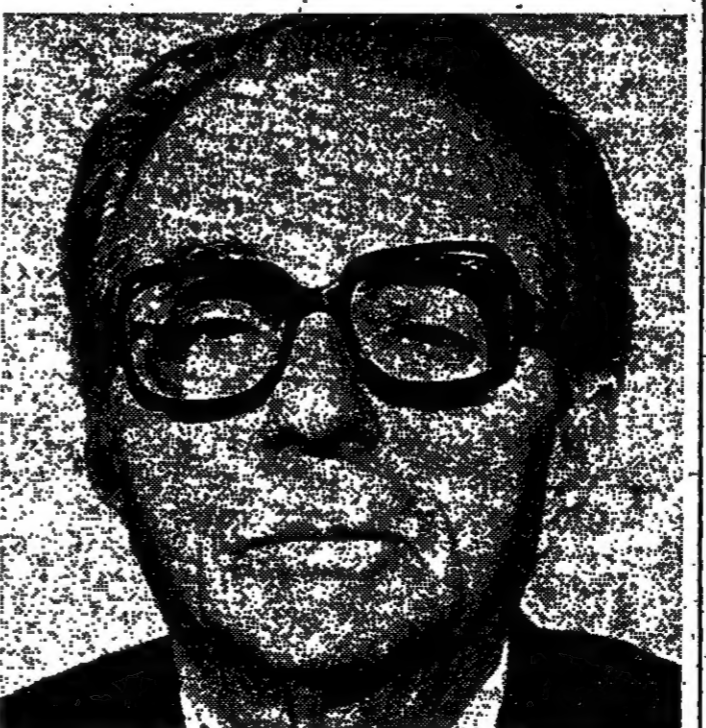
The funeral takes place tomorrow. On the same day, the new cabinet will hold its first meeting. On Thursday, Sig. Andreotti will present his programme to the Senate, to open the key confidence debate.

What influence the dramatically changed circumstances will have on immediate events is not clear. In the short term, Sig. Andreotti has to decide whether to take

over the Budget portfolio himself, as expected, and whether to appoint a new Deputy Premier to restore the balance of his team.

Many Socialists and Communists, who have already declared their intention of voting against the Government, insisted last night that the death of Sig. La Malfa made its defeat and a subsequent election more necessary than ever.

The small Liberal Party declared that the loss of Sig. La Malfa had completely changed the balance of the Government, and that Sig. Andreotti should therefore resign, and further consultations be held.



Sig. Ugo La Malfa: won the unchallenged respect of all sides, including the Communists

## UGO LA MALFA DIES

# A visionary without illusions

By RUPERT CORNWELL IN ROME

WITH THE death of Sig. Ugo La Malfa, Italy has lost perhaps its most esteemed politician—at a time when it has a real need of such men. His career spans the entire Republican history of post-war Italy, and indeed extends back still earlier into years marked by unrelenting anti-Fascism under the Mussolini regime.

A visionary without illusions, he was dubbed: a man celebrated for his pessimism amid his country's seemingly unquenchable "drift" towards political and economic chaos, yet one who never lost his faith that his countrymen could be persuaded to see the light of economic reason (particularly, it should be said, his own).

Over the past 35 years, no Italian politician has aroused more controversy, more snide observations from his colleagues, and more irritation at an obstinate refusal to budge from his ideas.

Yet few Italian politicians have set such store by policies, as opposed to personal and factional considerations. From his vantage point in the Republican Party, which he led for the last 14 years of his life, perched between the massive blocks of Christian Democrats and Communists, Sig. La Malfa assumed the mantle of economic seer. As such, he gradually won the unchallenged respect of all sides, including the Communists.

His name was associated above all with economic rigour. Before anyone else in Italy, Sig. La Malfa espoused the idea of an incomes policy and in recent years became the most pressing advocate of measures to bring Italy's large-scale public sector deficit under control. Fittingly, his last political

task, as Deputy Prime Minister under Sig. Giulio Andreotti, was to elaborate an economic programme building on those principles.

Sig. La Malfa was also an ardent opponent of the so-called "scala mobile" system of automatic wage indexation, which he saw as the prime mover of inflation.

As a representative of an earlier generation, of impeccable anti-Fascist credentials, and untainted by the stream of scandal which has involved the long-ruling Christian Democrats, Sig. La Malfa always enjoyed great prestige abroad. His Europeanism and his support for standard international economic discipline made him one of the very few "exportable" Italian politicians.

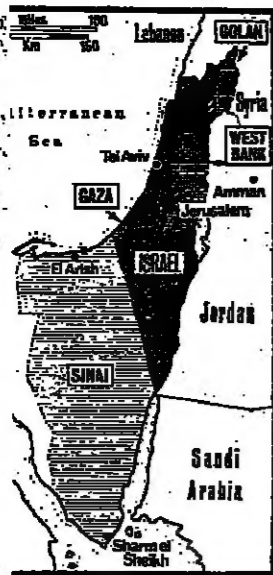
A Sicilian by birth, he was utterly committed to his country's membership of the European Community. This belief, and his conviction that Italy needed strong external obligations to pursue economic rectitude at home, led to his unyielding support for immediate entry into the European Monetary System (EMS).

"I can end my political career today," he exclaimed joyously when Sig. Andreotti told Parliament last December that Italy would join at the outset.

## THE MIDDLE EAST: The problems of peace

## A major challenge to the Palestinians

BY HUSAN HIJAZI IN BEIRUT



## MILESTONES

November 1917: Balfour Declaration favouring establishment of National Home for Jews in Palestine.

April 1920: Britain given mandate for Palestine by League of Nations.

May 1948: Britain gives mandate; State of Israel declared after 1948; 750,000 Palestinians have been expelled. Five states make war on Israel and are defeated.

October 1949: Israel withdraws from Gaza Strip and West Bank in collusion with French-Suez operation.

June 1967: In Six-Day War, Israel occupies Gaza, West Bank, Golan Heights and East Jerusalem.

September 1970: Civil war between Palestinians and Jordanian Government ends; PLO diminished Palestinian power in Jordan.

October 1973: Egypt and Syria launch attack on Israel; Arab oil embargo leads to intensified search for peace.

April 1975: Civil war in Lebanon; Palestinian power reduced by Syria.

November 1977: President Sadat makes trip to Jerusalem.

March 1978: Israel withdraws from southern Lebanon; reduces Palestinian power.

September 1978: Camp David meeting; Egypt and Israel agree on two frameworks for Middle East peace which include local autonomy for West Bank and Gaza.

March 1979: Egypt-Israel peace treaty signed.

The Egyptian-Israeli treaty has confronted the Palestinians at large and their guerrilla movement specifically with the most crucial situation since the creation of the state of Israel some 30 years ago.

Dr. George Habash, leader of the militant Popular Front for the Liberation of Palestine (PLFP), declared on Sunday that: "We are going since 1948." He made his declaration when he and other top guerrilla chiefs arrived in Baghdad in preparation for a "Palestinian commando summit" to work out a common strategy to foil the treaty. The meeting is to be headed by Mr. Yasser Arafat, chairman of the Palestine Liberation Organisation.

Since it made its impact on the Middle East scene in 1965, with the main group, El-Fatah, launching its first military operation against an Israeli water pump in the Jordan valley, the guerrilla movement has survived well. It was brutally suppressed by the Jordanian army in 1970, only to re-emerge even stronger in Lebanon after the civil war and last year's Israeli invasion.

The secret lies in the Palestinian will to survive and to continue to struggle for what they regard as their rightful land and rights in Palestine.

In 1948, there were only 750,000 Palestinians according to UN statistics. Today, there are 2.2m, excluding the 1.1m living in the Israel-occupied West Bank and Gaza Strip. In all, over 32,000 men at arms can

be mobilised in Lebanon and Syria by the guerrillas.

The Palestinian political, social, economic and military structure has all the makings of an independent state. What it needs, of course, is what it does not have: the territory on which to instal the state.

This is why the Egyptian-Israeli treaty presents the PLO with a double jeopardy, against which they are bound to react strongly. From a Palestinian point of view, President Sadat has dropped even the minimum of linkage between the treaty and the Palestinian question when he gave up his insistence on a target date for the establishment of an autonomy in the West Bank and Gaza.

Furthermore, the reference to the Palestine issue in the Camp David accords of last September made no accommodation for the return to Israel and the West Bank of the Palestinian "diaspora".

Cornered and angry, guerrilla leaders from Mr. Arafat on down have made strong threats against the treaty, against the United States and Arab regimes which would not oppose the treaty.

Yesterday, a prominent Palestinian leader threatened to strike at American, British and West German interests "everywhere" in wake of the signing.

Abu Iyad, who is only second to Yasser Arafat in the guerrilla movement, also called for an Arab-Soviet alliance to counter-act what he described as the

"dirty alliance" between U.S., Egypt and Israel.

Mr. Arafat and his aides yesterday met in Damascus with visiting Soviet Foreign Minister Andrei Gromyko.

Abu Iyad was reputed to have headed Black September before it was suspended. His remarks confirm speculation that part of the PLO may now go underground again to carry operations into Europe and the Arab world.

The Palestinians will now have to depend on Arab regimes, and this could prove to be a drawback. They will continue to need financial support from oil-rich States. The effectiveness of their struggle against Israel will also depend a great deal on "rejectionist" countries keeping up the resistance against the Egyptian-Israeli treaty.

The Palestinian summit in Baghdad this week is bound to address itself to the question of ensuring a bigger measure of inter-guerrilla unity though this may prove difficult.

No new executive committee for the PLO was elected by the Palestine National Council, or Parliament in exile, at its meeting in Damascus in January because of differences over the distribution of seats. Mr. Arafat, who has been chairman of the PLO for the past ten years and remains very much in charge, openly declared that he felt attempts were being made to pull the rug from under his leadership and that of his group, El-Fatah.

Mr. Arafat is known to be in

favour of fighting and talking at the same time even though the pressure now will be to fight first and talk later. The PLO under his leadership is prepared to negotiate within the UN framework, but not on the basis of Security Council resolution 242. All guerrilla leaders have formally rejected an offer made by President Carter this week to deal directly with the PLO if it endorsed the resolution, which makes only a reference to the "refugee" problem and not to the Palestinians.

Another major difficulty facing the guerrillas is their position in Lebanon. In the south, where they are concentrated, they are constantly threatened by Israel.

In the north they are threatened by the Israeli-supplied Christian militias who seek to partition Lebanon and rid it of the 400,000 Palestinians.



Yasser Arafat: In the eye of the storm

THE WEST BANK has been in turmoil for two weeks and normal life has been abandoned, temporarily at least, in favour of agitation for independence, David Lennon writes from Tel Aviv.

Rioting schoolchildren, business strikes and school closures have underlined the Palestinians' rejection of the peace agreement between Israel and Egypt, and Israeli troops have been sent out to suppress the disturbances.

It is against this background that Egypt and Israel, with active U.S. participation, will start their negotiations on the future of the West Bank and Gaza Strip.

The purpose of the negotiations will be to define the powers and responsibilities of the self-governing authority which is to be established in the two occupied territories.

The authority is to be a transitional one, for five years, after which the final status of the West Bank and Gaza Strip will be decided.

Israel and Egypt have very different concepts of what that final status will be. Egypt expects an independent Palestinian entity to be set up, either fully independent or possibly linked to Jordan, or Israel, or both.

Israel is offering something quite different. The autonomy plan proposed in December 1977 by Mr. Menachem Begin, the Prime Minister, is based on cultural freedom, not national independence.

The Israeli plan is intended to forestall Palestinian aspirations for independence by granting them freedom to follow their cultural and religious traditions. Mr. Begin insists that his plan relates to the inhabitants, but not to the territory. Israel plans to build ten more settlements on the West Bank in the coming months.

Israel would retain military control, as well as the control of state lands and natural resources such as water.

This is a far cry from what President Anwar Sadat and the U.S. have in mind, and is described by Jordan as being an Israeli version of South Africa's Bantustan policy. Egypt and the U.S. are willing to see the powers of the self-governing authority limited in the transitional period, but they believe that full independence should eventually devolve to the Palestinians in these two areas.

The West Bank Palestinians, who are far more militant than their brethren in the Gaza Strip, have rejected the whole concept from the outset. They rejected Mr. Begin's autonomy plan, and were even more vehement in their denunciation of the amended plan agreed on at the Camp David summit six months ago.

Mr. Elias Freij, Mayor of Bethlehem, considered the least politically ideological of all the elected mayors, explained this week: "Not a single West Bank leader would be prepared to join in the negotiations for a kind of autonomy under which Israel would remain the dominant governing body in the West Bank and Gaza Strip."

Mr. Freij, long identified as a supporter of King Hussein and often vilified by supporters of the Palestine Liberation Organisation (PLO) added: "We reject the Israel-Egypt peace treaty by which President Sadat has sold us out."

The Mayor of Bethlehem has the same basic demands, as the more dominant radicals on the West Bank: an end to Israel settlement and full self-rule for the territories.

They will refuse to join the peace negotiations because they do not believe that Egypt or the U.S. has the will to persuade or force Israel to withdraw to the 1967 borders and to allow the creation of a Palestinian state. They quote myriad Israeli statements in support of their belief.

## Arabs will discuss sanctions today

By Roger Matthews in Baghdad

ARAB FOREIGN and Economic Ministers meet in Baghdad today to discuss and implement political and financial sanctions against Egypt, amid signs of a public reversion by the host nation, Iraq, to its former radical stance.

The Arab mood ranges from deep ideological bitterness to mere self-interested dismay at President Sadat's unilateral action.

But Iraq has warned that it will consider as traitors those who fail to act on decisions reached at the Baghdad summit last November.

These decisions included suspension of Egypt from the 23-member Arab League and removal of the league's headquarters from Cairo.

More important, a number of other economic and political sanctions were secretly decided on in November. The main argument of the next three days will be how and to what degree these should be put into operation.

It is widely thought here that Iraq will lead an attempt to force Saudi Arabia and the other conservative Gulf states to choose whether they stand with the "Arab world" or with Egypt, the U.S. and Israel.

At least 15 countries are expected to attend the opening session of the foreign and finance Ministers meeting. King Hussein of Jordan has arrived on a separate but closely related visit.

Significantly, a number of radical Palestinian leaders are already in Baghdad and it is expected that Mr. Yasser Arafat, the PLO chairman, will attend. Mr. Andrei Gromyko, Soviet Foreign Minister, has just completed a visit to Syria and indications exist of a new Arab diplomatic offensive, with radical elements sponsoring more direct moves against Egyptian, Israeli and U.S. interests.

This could eventually lead to a joint Arab call, backed by Moscow, for a solution to the Middle East issue via a reconvened Geneva conference, while militant groups may look for resumption of guerrilla action.

Press reaction in Iraq to the Egyptian signing of the peace treaty has been predictably fierce. Demonstrations are planned in Baghdad and other cities.

## What the U.S. is committed to do next

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

WHAT THE U.S.—not to mention Egypt and Israel—has to do next if the bilateral peace agreement is not to fall apart has been outlined by President Carter.

Answering questions in Dallas on Sunday, he also conveyed an impression of U.S. hopes and qualms.

Referring to the tortuous negotiations, the President spoke of the benefits he saw ensuing from the opening of the borders between Egypt and Israel, which he thought would overcome the "threats and posturing, and possibly some acts of terrorism," by opponents of the Middle East agreements.

"We're not going to stop here. We've got to address the very difficult question of the Palestinian problem. The Israelis are committed to this proposition, the Egyptians are committed, and so are we."

"But I think that as we let the other Arab entities—the PLO, Jordanians, Syrians, Lebanese, Iraqis—see the tremendous benefits of peace between Israel and Egypt, it's going to be much easier to bring them into the process and therefore achieve what I dream about—which may not come during my own term of office, but which I'll continue to work for—and that is a comprehensive peace throughout the Middle East."

Washington has no illusions that, having brought the Egyptians and Israelis to this point, the rest will be easy. Nor is there over-optimism that the resistance of other Arab nations to the bilateral agreement will be overcome easily.

The U.S. is intent on so inserting itself into the arena, politically, economically, and, if absolutely necessary, militarily, as to ensure that the Pax Americana works.

Such application will not be easy to sustain, given the consuming U.S. interest in its own domestic wellbeing. Already, rumblings of opposi-

tion are being heard to what critics claim is the blank cheque both Israel and Egypt have been given to draw on the U.S. Treasury at a time of domestic stringency.

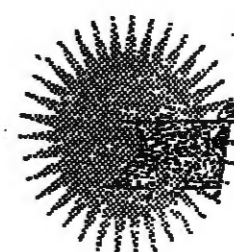
The Administration has argued that the promised aid—up to an extra \$5bn to both countries over the next three years—will be less than the costs of war in the Middle East.

It will also have to resist predictable demands for aid to the rejectionist Arab States not to be cut off, because of their continued opposition and the probability that the oil-producing Arab States will further lift the price of crude.

Mr. Carter and his advisers will argue that the volatility of the Middle East, exacerbated by the religious revolution in Iran and the apparent determination of the Soviet Union to reassert itself in the area, demands that a flexible policy should not be hamstringed by congressional pique.

For all the immediate necessity of sustaining President Sadat, keeping the Saudis cool, preserving lines of communication with King Hussein, and perhaps even trying some fresh initiative in Lebanon, the fate of the Palestinians remains the nub of the issue.

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PEACE

# Rebels closing in on Amin

BY OUR FOREIGN STAFF



President Amin—  
a matter of days?

OPPOSITION FORCES were said yesterday to be closing in on President Idi Amin of Uganda, prompting speculation that his eight-year-old regime might end within days. The President was cut off in his official residence near Entebbe airport by Tanzanian tanks, according to a presidential aide who telephoned reporters in Nairobi. But the Tanzanians denied that their tanks had cut the Entebbe-Kampala road as announced by Uganda Radio.

Ugandan exiles in Kenya said the tanks which had been sighted near the official residence were Ugandan. The exiles claimed there had been a military coup against Amin led by his Minister of State for Defence, Brig. Emilio Mondo.

Military analysts believe it would have been difficult for the Tanzanians to have moved their tanks as far as Entebbe because they would have been too vulnerable to air attack from President Amin's Libyan-piloted MIGs.

Tanzanian intelligence officials said the defences of Entebbe and Kampala had been breached by the capture of the

town of Mpigi. The airport and the outskirts of the capital were within range of the 122mm guns which the Tanzanians have been using.

Diplomats and exiles said Brigadier Mondo had made contact with Ugandan exile groups. These groups had set up a United Front at a meeting in northern Tanzania at the weekend and Brigadier Mondo intended to negotiate peace with the invaders, they said.

When questioned about the reports of Brigadier Mondo's defection, the Presidential aide in Kampala denied that the Brigadier was disloyal to Field Marshal Amin.

Before the newly-imposed curfew in Uganda was lifted at dawn, Uganda Radio said the Kampala-Entebbe road had been cut but that Field Marshal Amin was planning an attempt to reopen it with a handful of soldiers and eirmen. He would show 20 men could fight against 20,000, the radio said.

Since a dusk-to-dawn curfew and the closure of the country's airspace and international airport were ordered yesterday, the radio has been playing martial music between news bulletins.

Exiles said the meeting of Ugandan groups from Africa, Europe and the U.S. at the northern Tanzanian town of Moshi ended on Sunday with the formation of the Uganda National Liberation Front.

Its chairman was said to be Dr. Yusuf Lule, 68, former Vice-Chancellor of Uganda's Makerere University who, at one time, attended Edinburgh University with Tanzania's President, Dr. Julius Nyerere.

Exiles named 10 other members of the Front's committee, none of whom is considered a supporter of former President Milton Obote. He has lived in exile in Dar es Salaam since being ousted by President Amin.

The exiles said the ex-president's relations with the Tanzanian Government were at a low ebb. The Moshi meeting had heard many speeches expressing opposition to Obote's return to power.

The Front is expected to set up a provisional administration inside that part of southern Uganda controlled by the invading Tanzanian and rebel Ugandan forces.

## Hong Kong shows record trade deficit

By Our Foreign Staff

HONG KONG recorded a visible trade deficit of a record HK\$1,866m (£186m) in February. This dramatic deterioration in an already very weak trade position sent the Hong Kong dollar to a four-year low against the U.S. dollar on Monday.

It closed at HK\$94.93 to the U.S. dollar, having already lost several cents last week. Late last year it was trading at HK\$94.65 to the U.S. dollar and on a trade weighted basis had declined by more than 20 per cent from the peak it reached two years ago.

The main reason for the very weak trade position behind the currency fall has been excessive growth in the money supply. Bank advances are now more than 40 per cent up on a year ago and have still stimulated consumer spending and property development.

Overall demand has also been boosted by heavy public sector capital spending. No early reduction in the level of the trade deficit can be expected. In his Budget last month, the Colony's financial secretary indicated a trade deficit of about HK\$1,100m, well up on last year's HK\$900m, which itself was more than double the previous record.

However, the government is known to believe that further decline in the exchange rate will merely fuel inflation. It considers Hong Kong's exports to be price competitive. It sees an improvement in the trade balance coming from a gradual easing of the domestic demand boom reducing imports and creating additional export capacity.

## China urged to use government credits only

By Richard Hanson in Tokyo

CHINA WOULD be wise to rely exclusively on financing its development plans on credits subsidised by other governments rather than become dependent on higher-cost commercial loans, Mr. William J. McDonough, executive vice-president of the First National Bank of Chicago, said yesterday in Tokyo.

Mr. McDonough, returning from Peking, said that in rethinking its development plans to 1985 the Chinese have become much more aware of the need to centrally control such development.

Mr. McDonough, who while in Peking received permission to establish a representative office, said that the commercial loan scheme being presented by Japanese banks has a good chance of going through. The Chinese, however, are viewing the interest rate cost on such a loan as part of a package with lower cost Japanese government credits bringing the overall expense down.

The First National Bank of Chicago's board of directors has been invited to China in May to hold the first-ever board meeting by a western company in Peking.

## Swiss expand credit system

By John Wicks in Zurich

SWITZERLAND HAS added a number of further foreign currencies, including sterling, to its recently introduced system of currency drawing rights. Since the beginning of last December, Swiss-based exporters of goods and services have been able to obtain drawing rights—linked to forward foreign-exchange sales—in dollars and marks.

The addition of sterling and seven other currencies to the system from April 16 will permit this form of currency-risk coverage in respect of some 82 per cent of Swiss exports.

## BRITAIN-CZECHOSLOVAKIA TRADE

# Chance to narrow imbalance

BY PAUL LENDVAI, RECENTLY IN PRAGUE

THE TWO-DAY visit of Mr. John Smith, the Trade Secretary, to Prague has given a much-needed push to trade relations and economic co-operation between Britain and Czechoslovakia.

Mr. Smith's talks with the Czechoslovak leaders have focused attention on areas of real growth potential. With more reliance on coal production, which reached 123m tons last year and which is faced with steadily rising mining costs, the Czechs are keenly interested in Britain's ability to provide modern deep mining equipment and support systems.

Sales of mining equipment jumped from £43,000 in 1975 to £114,000 in 1977 and had reached £194,000 by the first half of 1978.

Mr. Smith announced that next month the National Coal Board will send a delegation to Prague to sign a technical co-operation agreement. Also, the Minister of Fuel and Energy, Mr. Vlastimil Ehrenberger, has been invited to Britain, and the visit is likely to take place in April.

Faced with a growing energy and fuel squeeze, the Czechoslovak

## Kuwaiti Minister quits in power tenders uproar

BY LESLIE MITCHELL IN KUWAIT

KUWAIT'S Minister of Electricity and Water, Mr. Abdullah al-Ghanem, has resigned amid accusations by a local newspaper of misbanding of tenders, especially of a tender for the \$1.1bn Doha West power/desalination project.

Tenders for six boilers and six turbines for the Doha West project closed in August, yet the award for the boilers has not been made.

The local Arabic newspaper, Al-Rai al-Am, has alleged that the ministry postponed the awarding of the tenders when it appeared that the contract would not go to the 'favoured' company. The purpose of the postponement was to delay the award long enough to allow the project to be re-tendered, the newspaper said.

A joint venture of Riley Stoker of the U.S. and Mitsui Shipbuilding of Tokyo submitted the low bid—55.5m Kuwaiti dinar (\$895m)—for the six boilers. However, the ministry recommended to the central tenders committee that the award go to Deutsche Babcock of West Germany, whose agent in Kuwait is Mr. Ali al-Ghanem, a cousin of the minister. The Deutsche Babcock bid was 58m Kuwaiti dinar.

The ministry asserted that the

Deutsche Babcock boilers would be more efficient over the long run, but apparently the ministry recommendation caused such controversy that the tenders committee made an independent investigation of the bids, a report on which was to have been submitted to the council of ministers yesterday. Mr. Abdul Aziz Hussein, the Minister of State, who announced Mr. al-Ghanem's resignation after yesterday's council meeting, said the report would be considered by the council on Wednesday.

Mr. Hussein said that an official statement would be made public within two days, but in the meantime explained that the minister was "tired."

Al-Rai al-Am began its campaign on December 24 saying it had been hearing stories circulating privately of the postponement of the awards that a "favoured" company has not made the best bid.

On December 26 the paper wrote it had received many telephone calls about irregularities in tenders, one from an employee at Shueiba, who alleged that one particular contract was awarded by the Ministry of Electricity and Water to a "company" directly related to the Minister—a company whose ownership the

Minister had given up in favour of the members of his family because of the law, which forbids having at the same time both a ministerial post and a direct or indirect commercial activity. This law, however, is not implemented too well.

"The paper said that the goods turned out to be not according to specifications and were returned. A month later they were returned once more, sent back again and returned for a third time, the paper said. It related that a letter from the Ministry of Electricity and Water finally settled the matter by stating that the goods should be accepted."

"Of course they were accepted, and were stored away," the paper said.

Newspapers in Kuwait are "self-censored" to the extent that if stories are published that the government does not approve of, the paper is shut down for a certain period of time by government order. However, since the culmination of the crisis in Iran, the press here has been notably freer to discuss controversial issues. "Al-Rai al-Am" is owned by a former deputy of the Kuwait National Assembly, the assembly that was dissolved in 1976. The paper's tenor is not anti-government.

## Bazargan attacks Khomeini

By Simon Henderson in Tehran

DR. MEDHI BAZARGAN, Iran's Prime Minister, has made a thinly-veiled attack on the influence of Ayatollah Khomeini and other religious leaders in an attempt to show sympathy with middle-class fears about the role of Islam.

Dr. Bazargan's remarks, in a speech in Tabriz, north-west Iran, seem calculated to avoid political divisions deepening over whether Iran should be a mainly secular or fully Islamic State. Dr. Bazargan accused the clergy of having the fanaticism of the dynasty of the exiled Shah.

A referendum on Iran's constitutional future is to be held on Friday. But many Iranians, including, it is believed, Dr. Bazargan himself, are concerned because the question is expected to ask narrowly whether the voter wants an Islamic republic—Yes or No? The Left-wing and many of the middle-class are expected to abstain.

The middle class has been dismayed by the stringency of Ayatollah Khomeini's vision of Islam, with its summary trials and executions, the threat to the Western-type economy, and the restrictions it puts on the status of women.

In his speech, Dr. Bazargan said it was wrong to call everything with the stamp of the West anti-Islamic, anti-Iranian and anti-independence.

Dr. Bazargan has had several clashes with the Ayatollah and, at one point threatened to resign. The other challenge to the Prime Minister's authority comes from the workers' control of factories and businesses taken over since the revolution last month.

Two English-language newspapers and one French-language publication—the only foreign Press in Iran—issued their last editions last night. The workers have stopped the managements obtaining advertising.

## Changes urged on Emirs

THE UNITED Arab Emirates has witnessed a burst of political activity recently which contains the seeds for enormous change. For the first time in its seven-year history, people are openly discussing the possibilities of direct elections to the National Assembly, and the future roles of the ruling sheikhs in a modern state.

These are nervous times in the UAE because of the crisis in Iran and the question of unity between the seven sheikhdoms has suddenly become a major issue. Ever since the federation was formed on Britain's withdrawal from the Gulf in 1971, there has been tension between those emirates wanting a stronger federation, which is likely to enhance the power of Abu Dhabi, by far the richest emirate; and others, led by Dubai, preferring a looser arrangement.

Competition between the emirates has encouraged wasteful economic duplication and an enormous influx of immigrants, hence the pressure from UAE nationals for more federal unity.

Last week the pace quickened with the submission of a memorandum by the 40 member Federal National Council, a fledgling National Assembly which has only advisory powers. Headed by an articulate Sharjah, Taryam Omran, it made a number of demands to a meeting of the Supreme Council of rulers, which was meeting for the first time since November 1976.

The memorandum included many points which would appear certain to lead to the erosion of the authority of ruling sheikhs. They include the abolition of all internal borders, the unification of all emirates' income, the unification of defence forces, the ending of all foreign influence in the economy, the purging of "aliens" in the army, and a broadening of the council's legislative powers.

And the demands were backed by the UAE Federal

Cabinet and also by unprecedented public pressure. By the time the Supreme Council met there was pressure for total unity, and a petition along the lines of the council's was handed to Sheikh Zaid, UAE President and Ruler of Abu Dhabi, by several thousand demonstrators. Marches were held by young educated federal enthusiasts all over the country, although particularly in emirates known for their reliance on Abu Dhabi for their development.

It is believed the demonstrations took even Abu Dhabi by surprise, but the net effect of this growing pressure has increasingly been to isolate Dubai. The seven rulers last week discussed the veto system: both Abu Dhabi and Dubai hold the right of veto in the council, but owing to Abu Dhabi's powerful influence over the non-oil emirates, it has become an all important weapon for Dubai. Now it appears that a number of groups, including the Federal National Council, wish Dubai to give up the veto.

The attitude of the council to what are, in Gulf terms, quite revolutionary demands, is that the people of the UAE are going through enormous changes and that the Government should change also. "Why not have direct elections? We are keen to see that. Do you think our new educated people will accept the old system?" The events in Iran have speeded everything up, he believes, and now is, perhaps, the last chance for the UAE to avoid any future trouble. He emphasises that this does not necessarily mean

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the end of the ruling sheikhs. "They will still be the supreme authority, but if they want to build a modern country, they should go with the times," he said.

Now that the ball is rolling, almost every educated national in the UAE is likely to back the National Council's demands. Many of them, including officials are talking of complete unity between the emirates, not merely the strengthening of the federation, whereby the ruling sheikhs become regional governors, looking after the interests of their own citizens and localised affairs.

The rulers are due to respond to the Council's demands today. But Dubai and another emirate, Ras al Khaimah have refused to attend. The meeting is going ahead, but no decisions can be made without consulting all the Rulers. The situation has been further confused by a ban from the presidential court in Abu Dhabi on all marches in the federation.

While several emirates see the marches as spontaneous, both Dubai and Ras al Khaimah, which have strong ties and a tradition of independence, firmly believe they have been organised by Abu Dhabi to put pressure on them. A large contingent at a demonstration last week came from Al Ain University which is controlled by Abu Dhabi.

Dubai emphasises that it will never leave the federation but believes Abu Dhabi wants to increase its influence. It says it may be willing to give up its veto when the Federal Government has become more experienced and efficient. It does not want to submerge its armed forces in a national force until the armed forces consist of a majority of nationals, not "foreign mercenaries" as one high-ranking Dubai official calls them.

Dubai, while accepting the right of the Federal National Council to make some of its more radical demands, does not think that such steps can be considered overnight.

## THE FATE OF BHUTTO

# Forces behind Zia's final decision

BY CHRIS SHERWELL IN ISLAMABAD

THE DECISION of the Pakistan Supreme Court to reject the review petition of former Prime Minister Zulfikar Ali Bhutto has finally and irrevocably placed the fate of Mr. Bhutto exclusively in the hands of the man who overthrew him, General Zia-ul-Haq.

In one sense, the court decision solved nothing in that it left the verdict unchanged but appeared to favour the exercise of clemency by General Zia. But by the same token, it left General Zia with just the scope for leaving decisions to the last moment that he seems to relish.

But a final decision of some sort now seems at hand. In determining whether or not to grant clemency, General Zia will need to take into account complex political pressures. General Zia's instinct for survival has been nourished by his adeptness at short term manoeuvring. Nothing better illustrates this than his attitude towards elections, which last week he announced would now be held in November.

General Zia promised to hold elections within 90 days of arrival in power, and decided against it. Polls expected six months and a year later never materialised. In the face of growing pressure from the politicians he subsequently committed himself to 1979 as "election year" then, last Friday, the day before Mr. Bhutto's death sentence was confirmed, General Zia played his card and announced a date: November 17. Although the move won him support at a critical moment, people are wondering whether polls will really be held.

The unknown factor is Mr. Bhutto. The army at least purports to believe that his Pakistan People's Party is a spent force because people are not braving soldiers' bullets to stand for a cause, as they did in 1977 when it was Mr. Bhutto's government under attack. Pre-emptive arrests of some party activists have been sufficient to head off all domestic unrest even though some leaders are free. The PPP, the army therefore reckons, is oriented around Mr. Bhutto and lacks proper grass-roots organisation to be a real threat.

But Mr. Bhutto himself is a different proposition. The army, and General Zia himself, are known to fear Mr. Bhutto's return to politics should he remain alive. Were this not so, the General might already have commuted the death sentence. Many people, therefore, see the survival of Bhutto and the holding of elections as a contradiction in terms.

General Zia has tried but failed to encourage the formation of another national political party closer to his own preferences. The coalition of parties whose opposition helped to oust Mr. Bhutto in 1977 has crumbled. Those which have collaborated with General Zia in governing the country since last August are split. They are also suffering all the disadvantages of association with the Zia regime.

Those which have distanced themselves from the army and the Government are unable to work together, have no national base and have yet to make up their minds whether the PPP, with or without Mr. Bhutto, is worth dealing with. Much to General Zia's chagrin, therefore no party or coalition has

emerged to which Zia might consider handing over power.

General Zia's aides still insist that he himself has no political ambitions, but the possibility remains that he would stay on as president after the proposed

damaged badly if General Zia hands Mr. Bhutto.

The government needs to reduce consumer subsidies, at home, including one on bread, and persuade western editors who meet in Paris in June, to be more sympathetic towards Pakistan's massive debt burden.

Although the bureaucracy remains well aware of these problems and powerful enough in its own sphere of influence to do something about them, there is a pervasive sense of indecision about the Government, as though it was not worth breaking new ground for fear of suffering the consequences if things do not work out.

This is partly a hang-over of the Bhutto era, and partly a judgment on the ability to survive of the present regime. In these circumstances the real power in the country will for the moment continue to lie with the army.

It was significant that General Zia chose to make his election announcement before unity of the Pakistan armed forces and all his senior general and service chiefs. In the past few weeks speculation has grown over how the army is thinking, specifically in relation to the Bhutto case but more generally over General Zia's leadership and the country's direction.

But while he holds the life of Mr. Bhutto in his hands, General Zia's position even in the army seems unassailable. He is in the hot seat nobody wants, and he probably knows it. It is open to him to put Mr. Bhutto's papers in his draw and forget about them. He would continue to benefit by the uncertainty. But at the point when he seals Mr. Bhutto's fate, he will lose a key element of his own position.



Zulfikar Ali Bhutto

Ma  
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مجلس الشعب

# Major boost for industrial aid scheme

JOHN ELLIOTT, INDUSTRIAL EDITOR

OR EXPANSION of the ment's industrial aid aimed at attracting industries into develop- ment is expected to be ed by the Department istry in the next few

maximum that the ment is prepared to under the scheme is to id to £8,000 for each job ment for £4,000. The ments for administering are also to be simplified. changes are expected to lemented irrespective of ult of tomorrow's confi ate in the Commons and vernment hopes that in ar they will help to quell ical storm that has been

## evived Thorne pit will employ 1,450

JOHN LLOYD

NATIONAL Coal Board ay announced details of n to spend £180m to Thorne Colliery, near ter, with the creation of

pit was closed in 1956 of flooding and shaft as, which the NCB has sd. It is expected to a annual production of nes by the mid-1980s, will make it the largest be UK.

ver, it is understood he Central Electricity ting Board, which would colliery's largest cus has not yet been con- on the marketing of 's output. It is thought e reservations on the quality.

NCB's Doncaster area last night that the coal have a high chlorine con- ut said that, like other on the Barnsley seam

which Thorne would work, it could be successfully blended for power station use. The pit would also serve the industrial and domestic markets.

Mr. Jack Woods, director of the Doncaster area, said: "This is a red-letter day for the coal industry. Some of the men who used to work at Thorne colliery in 1956 will be returning to the pit."

Workable reserves at Thorne are thought to be about 140m tonnes, enough for 70 years' production. When completed, the pit is expected to be the most highly automated in the country.

Its reopening will also mean that the two most modern and productive colliery develop- ments of the 1980s—Thorne and the Selby complex, expected to be producing 10m tonnes a year by the latter part of the decade—will be in the York- shire area, representing a total investment of more than £800m.

## North Sea oil find encouraging

BY KEVIN DONE, ENERGY CORRESPONDENT

CONTINENTAL OIL, the U.S. company, has made an encourag- ing discovery in the North Sea about 100 miles south-east of the Shetland Islands and some five miles south-east of Mobil's Beryl Field.

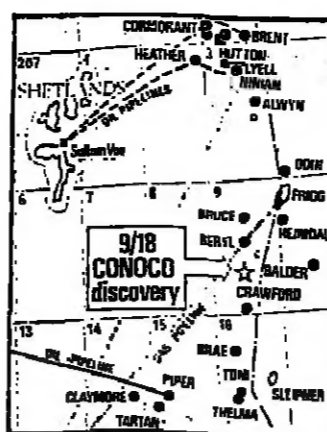
The find is in block 9/18, where Conoco is the operator for a group including the British National Oil Corporation and Gulf Oil.

The discovery well, 9/18-3a, was the third to be drilled on the block, which was first licensed in the Third Round in 1970.

Conoco carried out tests on two different levels of the main reservoir, which is in Jurassic sandstone. Both tests flowed a light, high-quality crude (38-degree API) at rates

### Complicated

Conoco said yesterday that additional wells would have to be drilled to determine whether the find was commercial. The rig, Dundee Kingsnorth, which drilled the discovery well, is being released, but Conoco said that additional exploratory wells were planned for the area later this year.



If sufficient small finds are made on the block it might eventually be possible to link

them into one development. A similar process has occurred on the Beryl block, where Mobil is planning to develop smaller accumulations of oil, known as North Beryl.

Conoco is already stretched in the North Sea with its involvement in the Murchison and Statfjord developments. It is also expected to apply by the end of the year for development approval for the North Sea Hutton Field.

It has several other North Sea finds still to evaluate in blocks 3/2, 15/30, 9/19 and 211/18.

The well in block 9/18 was drilled to a depth of 14,506 ft in 390 ft of water. Conoco, Gulf and BNOG all have a one-third share in the block.

## Speke closure will go ahead on April 19, says Dunlop

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

CLOSURE OF Dunlop's Speke tyre factory at the cost of 2,400 jobs will go ahead as planned on April 19, Mr. Colin Hope, new director of the tyre division, said yesterday.

The unions opposing closure had so far failed to come up with a viable alternative, he added.

The move is part of a major rationalisation of Dunlop's tyre business in the UK.

The Speke plant was closed during the haulage drivers' dispute in January, and has remained shut because the

company refused to reopen it unless the workers there agreed to normal working.

Mr. Hope, who took up his post on February 1, said there was "nothing vindictive" about the choice of Speke as the plant to go. It was the natural choice as the least-productive plant in the group, and one whose operations could easily be transferred to others.

Reduction in work forces at other Dunlop plants, part of a total cut of 3,100 from the 11,250 in the tyre division, is also planned.

By midsummer the division would have been restructured and split into small profit centres. He predicted that investment in tyres would "almost certainly" top the previously-announced £75m in the next four or five years, illustrating Dunlop's commitment to the business.

"But the investment must be in the right plant and must aim to get increased productivity. There will be much more semi-automatic equipment used in the future."

## Anti-dumping move on tyres

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

THE BRITISH tyre industry is asking the European Commission to impose an anti-dumping duty on East European tyre manufacturers. It complains that the industry has suffered "considerable damage" as a result of growing imports from East Europe of cross-ply tyres.

A meeting next week of EEC member countries' experts will decide whether to hold an investigation.

The evidence has been presented in Brussels by the British Rubber Manufacturers Association, representing the seven tyre manufacturers in Britain. The association, which

is hoping for a decision from the Commission by midsummer, seeks an anti-dumping duty "to bring the landed cost of the Eastern European tyres to a level more accurately reflecting production and transport costs."

The association said: "Since the UK represents the largest community market for these types of tyres (cross-ply and fabric radial-ply car and van tyres), the British manufacturers have been worst hit and have suffered considerable injury as a result."

East Europe supplied the EEC with 1.6m units, of which 680,000 entered the UK. The figure rose to 806,000 in 1978.

East Germany tops the EEC import list with 708,000 units in 1977.

The BRMA alleges that the margin of dumping on popularised Yugoslav tyres (the amount by which the ex-factory price exceeds the landed price at a British port) ranges from £2.74 for a cross-ply to £4.37 for a fabric-braced radial. Production costs in other East European countries are not available, but the BRMA estimates that the margin of dumping ranges from £2.73 to £3.41.

## More 'gentry' in Inner London

By Paul Taylor

THE NUMBER of professional and managerial workers living in Inner London is growing rapidly, says a report by Shelter, the housing charity.

The report, based on an analysis of the 1971 census and the 1977 National Dwelling and Housing Survey, appears in the magazine Roof. It suggests that there is "creeping gentrification" in most London boroughs and "galloping gentrification" in several of them.

The borough with the fastest increase in professional and managerial workers is Camden, from 18 per cent of the "economically active" population in 1971 to 24 per cent in 1977.

The article challenges the Government's view, expressed in the 1977 Inner City White Paper, that the loss from the cities of a higher proportion of skilled than less-skilled workers has made unemployment worse.

Mr. Jim Wintour, author of the Shelter article, said it was a nonsense to suggest that the middle classes were fleeing to London suburbs, and equally incorrect that unskilled manual workers were increasingly concentrated in inner-city areas.

Unskilled workers were leaving inner areas of London such as Lambeth faster than from outer boroughs such as Barnet.

## Prestel service launched today

BY JOHN LLOYD

THE Post Office today launches the world's first public viewdata system, Prestel, which will allow business and domestic customers to call up large amounts of computerised information, by telephone, for display on their television screens.

The service will initially be restricted to home user customers in London. It is estimated to cost about £40m by 1980, but Dr. Alex Reid, Prestel's director, said yesterday that it was expected to be in profit "in a few years."

There is little doubt that the Post Office would have preferred to launch Prestel into the business community which could have borne the costs of the sets more easily—about £1,000 for a colour Prestel/TV receiver, or £24 a month rental (Radio Rentals price)—but there is not yet enough space on the corporation's computers in business hours.

There will be limitations on the number of sets available, because the television set-making industry will be unable to produce many Prestel sets until the autumn.

The British Radio Equipment Manufacturers' Association said yesterday that the Prestel announcement should be qualified "by explaining the limitations of the initial service. Unless so qualified the announcement may create expectations which cannot be satisfied."

The set makers privately believe that the high initial cost of Prestel will severely limit demand in the residential market in any case. They stress that they are committed to the system, however, and point out that they have already put

several millions of pounds into its development.

Radio Rentals, the only company now renting Prestel sets, believes that it is subsidising its rental charge of £24 by more than £10 to create demand.

During an impressive demonstration of the new service yesterday, Dr. Reid said that in most respects, Prestel had made good progress. The quality and amount of information was high, with 146,000 pages of information already on the system and 10,000 more coming on each month.

"There seems to be no limit to the demand for the system from information providers, while the market for closed user groups (where Prestel is used between a company's offices, eg a travel agency) has scarcely been touched yet."

### Deals abroad

The Post Office expected a revenue of about £1m during this financial year from overseas sales of Prestel, and estimated that it would continue to earn that level on royalty. The system has been sold to West Germany and Holland, a deal is being concluded in Hong Kong, and it is expected that a big company will shortly market it in the U.S.

The service will be extended to business users in London later in the year, and will be further extended to Birmingham, Manchester and Edinburgh within 12 months. Other cities expected to receive the service soon include Liverpool, Cardiff, Leeds, Chelmsford, Bristol and Nottingham.

## Christie's 'surprised' at action on 10% premium

BY MAURICE SAMUELSON

CHRISTIE'S, the auctioneers, expressed surprise yesterday that dealers opposed to the 10 per cent buyers' premium should have taken three years before taking legal action against it. From the length of time which had elapsed, it appeared that the premium had been "reluctantly accepted."

The company was commenting on the High Court writ served on it by a group of leading arts and antiques dealers, challeng-

ing the premium introduced in September, 1975.

Action has also been taken against Sotheby's, and dealers have claimed there was collusion between the two companies.

They say the agreement should have been registered under the Restrictive Practices Act, and that any new agreement should be so registered.

Dealers seek repayment of premiums paid, which could be tens of millions of pounds.

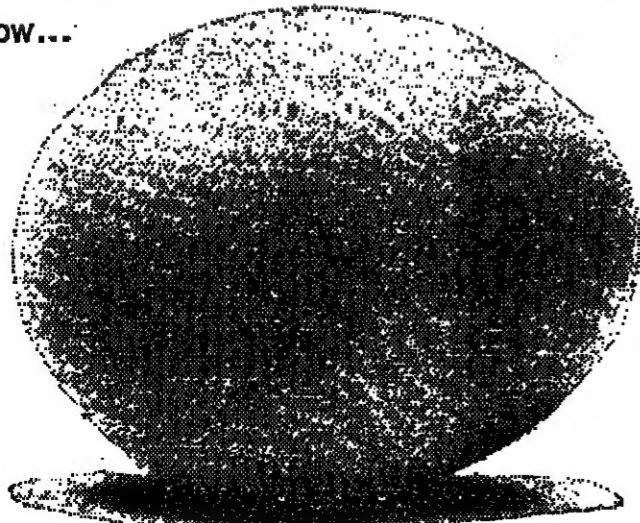
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## UK NEWS

# Coal power stations 'cheaper than nuclear'

BY JOHN LLOYD

A REPORT to be published this year by the International Energy Agency will claim that electricity can be produced from coal-powered stations more cheaply than it can from nuclear stations at present UK coal prices when both are running at base load or effectively full capacity.

This conclusion accords with the views of Mr. Anthony Wedgwood Benn, the Energy Secretary, who said recently in an interview with the Financial Times that he believes coal may be relatively cheaper as a base-load power station fuel.

Much of the basis of the report, which will be published by the Coal Research Division of the Agency, was put before a conference on the fast-breeder reactor last year by Mr. Michael Prior, an Agency economist.

Mr. Prior's paper makes it clear that no final conclusions may be drawn because the forecasting uncertainties are so large.

Future coal prices are the most important variable. It is understood that the Agency investigations show they may rise at under 1 per cent a year

in real terms until the year 2000. In contrast, the Government view, expressed in a paper by the Department of Energy to the Energy Commission last year, is that the rise may be 1.5 to 2 per cent or even more, showing a real cumulative rise of around 15 per cent by the mid to late 80s.

The Agency assumes that considerable productivity increases will be gained from new "super-pits" at Selby, the Vale of Belvoir and elsewhere.

Mr. Prior's paper concludes that the fast-breeder reactor, which still awaits a decision on its future use, "will be introduced at a capital cost which will make it uneconomic with respect to both thermal nuclear and coal at almost any conceivable fuel price."

Nuclear station capital costs constitute the second of the important variables in the discussion of coal/nuclear economics, the third being the internal discount rate.

The paper uses two discount rates: 5 per cent, which is the rate currently applied by the Treasury to all energy projects

in the public sector—and 10 per cent, which was its previous rate. The conclusion is that "the cost margin for coal is significant at 10 per cent, though small at a 5 per cent discount rate."

The lower discount rate is most favourable to nuclear plants because of their much higher capital costs.

The paper admits that the advantage to coal would decrease if requirements for sulphur emission control, which may be applied in the future, were to become law.

The reports are likely to cause controversy when they are finally published. At present the Energy Department's view remains that of the Energy Commission paper, which concludes that "overall, a nuclear station does appear to have an advantage in this respect (escalation of fuel prices) unless coal does very well indeed."

The Central Electricity Board is, similarly, convinced of the cost advantages of nuclear stations at base load, and even the National Coal Board seems to have conceded much of the base-load costs case.

## Renovation scheme at Design Centre to cost £100,000

BY COLLEEN TOOMEY

THE DESIGN COUNCIL, whose stamp of approval gives industrial products status, hopes to improve its own image.

It regards its London home in the Haymarket, opened in 1956, as "out of date, shabby, and no longer fulfilling the functional requirements of the Design Centre."

The council proposes to spend more than £100,000 on a new shop front and internal renovation after an architectural competition last autumn.

The changes are designed to improve traffic flow at the centre, which had more than 600,000 visitors last year. If approved, work will begin early next year.

"It is really a question of money," a spokesman said yesterday. "We would hope to finance the changes from our own resources," not through the Department of Industry.

Resources are still severely limited. In 1977-78 the council received a £1.95m grant from

the Department of Industry (this year's is set at £2.25m). Self-generated revenue was £1.79m last year and will be about £1.95m this year.

The council has also undergone operational changes in the past year which Mr. Keith Grant, the new director, said yesterday, have improved its service and standards.

In the council's report for 1977-78 Mr. Grant said that by abolishing exhibition fees at its London and Glasgow centres industrial liaison officers were able to concentrate on helping manufacturers rather than selling space. Free display also enabled the council to obtain a high standard of product design from financially hard-pressed companies.

But while the council is giving considerably more advice to manufacturers, the report says that still too few competent designers are being trained in Britain to meet industry needs.

## New street planning approach urged

FINANCIAL TIMES REPORTER

THE QUALITY of street planning can have almost as much effect on people's lives as the quality of their homes, suggests a book published by the Design Council this week.

One of the central themes of Streets Ahead, published in conjunction with the Royal Town Planning Institute, is the belief that in some declining industrial areas the task of tackling the visual and environmental harm caused by industry is at least as important as dealing with unemployment or other economic ills.

The book says that there is growing recognition that the street environment can have a direct effect on the success or failure of a town, a region, or a country, to attract industry and investment.

For example, most people would prefer to live in streets with trees and little traffic and shop in well-planned precincts rather than dodge cars and drag children over crowded pavements.

The quality of the street environment depends as much on the design, selection, siting and maintenance of the street furniture, the paving, planting and day-to-day cleaning as on the grand improvement schemes of the architect and town planner, says Streets Ahead.

The book also considers a new scheme for pedestrians and vehicles sharing residential roads. Pioneered in Holland and in Runcorn, Cheshire, the roads are designed so that drivers are aware of pedestrian priority and there are no separate footpaths. In Runcorn this has been achieved with deliberately narrow and twisting roads, with landscaping ensuring short sight lines for drivers. This, says Streets Ahead, underlines the fact that the road is no conventional 30 mph area but an extension of people's living space.

Streets Ahead, available from bookshops including The Design Centre Bookshop, Haymarket, London, £6.50.

## Growth in world output 'likely to stay stable'

BY PETER NIDDELL, ECONOMICS CORRESPONDENT

WORLD OUTPUT growth should remain fairly stable provided that all supplies are not significantly disrupted and that annual price rises are limited to between a tenth and a fifth, two London Business School economists write in Exchange Rate Outlook.

In the magazine, published monthly by members of the Business School in conjunction with Charles F. Smith, the money brokers, and the Gover Press, Mr. Terry Burns and Mr. Geoffrey Dicks suggest that with moderately favourable assumptions on oil, industrial production should continue to grow by about 4 per cent a year, as it has for the past two and a half years.

However, the balance between countries is likely to be different: after the policy changes in the U.S., its inflation rate should decline this year while the previously very low inflation rates in the countries that have most supported the dollar may rise.

The article contains a ready reckoner estimating that each 10 per cent increase in oil prices will boost world manufactured prices by 0.6 per cent in the short run.

The impact on trade balances will vary between an increase in the deficit of \$4bn in the U.S. and of \$2.6bn in Japan and only a \$100m rise in the UK deficit.

In a detailed discussion of the UK, Outlook notes that the continuation of monetary control and balance on external account is crucial.

"Much weight is being attached to the strength of sterling's external account and the insulation from oil price increases. However, this may not continue, as suggested both by a move into current-account deficit within 12 months and by profits pressure being consistently reported by UK companies engaged in international trade."

However, the projections of sterling's possible level have been revised upwards slightly over the past month because of the impact of higher oil prices on the UK compared with competing countries' trade balances.

## Wholesalers seek tax revisions

THE FEDERATION of Wholesalers and Industrial Distributors has asked Mr. Denis Healey, Chancellor of the Exchequer, for a complete review of capital transfer tax and for further investigation into the proposal to replace vehicle excise duty by an additional petrol tax.

Mr. Leonard Pagliaro, director of the federation, which represents 65,000 companies, added that last year's concession of relief against value-added tax for bad debts in insolvencies did not go far enough.

His claim is supported by the Economic Development Council for the distributive trades.

## Price Board to explain corporate efficiency policy

By David Churchill, Consumer Affairs Correspondent

THE PRICE COMMISSION is preparing to explain to companies its controversial policy on corporate efficiency and competition.

The commission will produce a document aimed at taking some of the sting out of recent criticisms of the commission's activities, especially its decision to totally freeze price rises sought by the British Oxygen Company mainly because of the alleged inefficiency of the company's management structure.

The commission feels that much of the criticism about its activities has misunderstood the role it has played for the last 18 months under the direction of Mr. Charles Williams, its chairman.

Its brief

When the present commission was set up in August 1977 its brief was to investigate more fully the factors behind pricing policies rather than function—as the previous commission did—solely to consider price increases in the light of strict financial criteria.

The commission's philosophy is that price control can be effectively achieved if companies operate efficiently. The weapon of price restraint is, therefore, used to encourage companies to improve efficiency and competitiveness. Since this policy, however, has met much opposition the commission feels it should spell out its long-term view.

The document, which is still being drafted, is expected to rely heavily on the commission's previous reports which may have escaped wide scrutiny.

New advice to traders on Arab boycott

THE TRADE Department may offer guidance to businessmen about trade with Egypt—similar to the advice it already gives about trade with Israel—if other Arab states declare an economic boycott of Egypt because of the treaty with Israel.

The Department yesterday issued its long-awaited new guidance on the Arab boycott of Israel. Official advice has been revised after the House of Lords foreign committee report on the Foreign Boycotts Bill. The new document stresses that the boycott does not officially apply to normal trade with Israel and that a number of British companies trade successfully both with Israel and the Arabs.

Judgment

It also says that while companies may use their own judgment about where their commercial interests lie, the Government itself is "against the introduction into commercial documents and transactions of clauses and undertakings which are intended to restrict the commercial freedom of British firms to trade with all countries in the Middle East."

The Department concedes, however, that the document could be revised again to take account of Egypt's withdrawal from the anti-Israel boycott, which is due to take place nine months after Israel's initial evacuation of Sinai.

Radio stations' £2m a month

INDEPENDENT local radio stations earned £2,046,404 in advertisement revenue during February, bringing the total for the first two months of this year to £4,196,335.

## Goole acquisition strengthens hold of docks board

BY LYNTON McLAINE

THE STATE-OWNED British Transport Docks Board has taken over the West Riding Stevedores company in a move which makes the board the main employer of dock labour at the port of Goole.

The 148 registered dock workers and 10 other staff employed by the company will keep their jobs.

The take-over was announced yesterday, six weeks after the last stevedore company in the upper docks of London, T. Wallis Smith Coggins, went into liquidation as a result of a decline in trade and was taken over by the Port of London Authority.

The British Transport Docks Board gave no details of the circumstances of its acquisition of West Riding, but it is understood that the company was not in financial difficulties.

Mr. Ken Bantock, port director of the Humber ports, welcomed the extension of the board's cargo-handling activities at Goole. The development was in the best interests of the port and would lead to increased efficiency.

The strategy of the board is to acquire stevedore companies wherever possible, and Lamb and Company (Stevedores) is the only remaining independent company at Goole.

The take-over is subject to completion of a formal agreement and this is expected to be signed by the end of the month.

## Charity 'appalled' by Ladbroke decision

BY PAUL TAYLOR

MAKE CHILDREN HAPPY, the charity, said yesterday that it was appalled by the decision of the Ladbroke Group to suspend sales of Cashcade lottery tickets to the charity.

Ladbroke's move, the latest in a public argument over the charity's financial position, was announced on Friday after the charity enumerated cash flow obstacles facing Make Children Happy Enterprises, its trading company, which was largely dependent on Cashcade lottery ticket sales for its income.

Under the agreement, Ladbroke Lottery Management undertook to organise 10 weekly lotteries in 10 different areas to raise funds for the charity through its trading company.

The charity emphasised that although its trading company had encountered difficulty because "Ladbroke substantially overestimated the potential sales of lottery tickets," the charity itself was not threatened.

However, in a letter to Ladbroke Lottery Management, the charity has strongly attacked the decision to suspend ticket sales.

The charity said that it would have hoped that, in view of the reassurances that it received on the receipt, it would have been possible for both your company and our organisation to accept a part of the responsibility for the difference between the income we received and that which we expected.

The charity also accuses Ladbroke of ignoring requests to Mr. Cyril Stein, chairman of the group, for a meeting to discuss the issue. The decision to withdraw ticket sales for the charity's trading company is expected to worsen cash flow, and the souring of relations between the two might have longer-term implications for the local lottery system.

Ladbroke has announced its intention to sell off Cashcade to a consortium of charities, although it seems increasingly unlikely that Make Children Happy will be among them.

Moreover, the Royal Commission on Gambling report has cast something of a shadow over the local lottery business.

## Consortium to develop Brentford Market site

BY CHRISTINE MOIR

THE LONDON Borough of Hounslow has appointed Newilton Consortium to carry out the £20m redevelopment of the former Brentford Market.

The scheme is still in its early stages and planning applications have not yet been submitted, but the concept is for a 150,000 sq. ft. office block in the first phase, a 45,000 sq. ft. warehouse, and a cabaret/entertainment complex.

The consortium was set up for the project. It is headed by Mr. Edward Dadey, a former director of Tesco, so it is not surprising that one of the

possibilities for the second phase of the development is for a superstore. The other two partners are New Capital Properties, a subsidiary of Gresham House Estates, and Wilson (Connolly) Properties, a Northampton-based developer.

The Brentford wholesale fruit and vegetable market was moved in 1974 to the Western International Market in Hayes. Since then the 12½ acre site has been used as a Sunday market, a skateboard park and for mixed light industry. It is close to the Chiswick Gyver on the junction of the M4 and the Great West Road.

## High price of working overseas

By Lia Wood

A BRITISH expatriate working in Japan must spend 2.7 times as much as he would in the UK to maintain the same standard of living.

A survey prepared by Employment Conditions Abroad, which collects information on all aspects of employment for international companies, compares expatriate living costs in 151 countries, to assist member companies in payment of overseas employees.

A Swede in Japan would pay only 1.6 times as much to enjoy the same life-style as at home, says the survey. For a West German, the factor would be 1.7 and for a Dutchman it would be more than twice as expensive to live in Japan.

This year's survey by ECA is the first time it has produced indices against Dutch and German bases. Previous surveys have had UK and Swedish bases.

The survey also indicates the impact of inflation on the expatriate. "This ranged from 173 per cent in Argentina to a deflation in living costs in Montserrat of 2.5 per cent," it says.

The information was collected from more than 1,000 questionnaires completed by the overseas representatives of ECA's member companies towards the end of 1978. The comparisons are based on an expenditure pattern reflecting a typical upper income family life-style in the home country, according to ECA.

## Communists not united say Fabians

By Our European Editor

THERE IS no united, Euro-communist movement nor is Communism on the march in the West, Socialists rather than Communists are making the running in Western Europe.

These are the conclusions of a Fabian pamphlet on Euro-communism by Mr. David Scott Bell. The Eurocommunist label no more describes a single social reality or unified movement than does Christianity, he says.

In most West European countries, says the pamphlet, Communism is well below its immediate post-war popularity level.

Those parties most usually thought of as Eurocommunist, the Spanish and Italian, are well on the way towards social democracy, the pamphlet says.

Eurocommunism, David Scott Bell, Fabian research series 342, Fabian Society, 11 Dartmouth St., London SW1H 9BN, 90p.



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BRITISH GAS

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Much is being done to upgrade and improve the roads throughout Wales. The M4 reaches into South West Wales providing a direct route for the passage of goods to the London area and the Midlands.

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# What sort of carrot will it take to persuade you to move to Wales?

## Higher fares planned as airlines warn of delays

BY LYNTON MCILAIN

WORLD AIRLINES meet in Geneva tomorrow to work out plans for higher air fares. Meanwhile, the International Air Transport Association has given a warning that holidaymakers can expect delays at European airports this summer.

Mr. Kurt Hammarfeld, the director-general of IATA, whose members are to meet in Geneva, said airlines expected a major problem with delays this summer. "The air-traffic control system in Europe may soon be unable to cope with the growing number of aircraft," he said.

Air travellers are also expected to have to pay higher basic fares and surcharges for rising fuel prices. Shortages of fuel have already led to the cancellation of some flights in the U.S. A number of airlines gave notice before the Geneva meeting of possible fuel surcharges.

biggest airline on the North Atlantic routes, plans to ask the U.S. Civil Aeronautics Board for permission to introduce a surcharge of 7 per cent on all tickets sold after April 15 for flights from May 1. British Airways may follow with a similar surcharge.

The IATA members are expected to discuss proposals for increases of at least 5 per cent in the basic cost of a ticket.

The European Parliamentary Transport Committee was told by French officials in Paris last week that another strike or work-to-rule by French air-traffic controllers was expected this summer.

The controllers' industrial action last year severely cut the number of aircraft on flights to Spain, the Canary Islands, North Africa, and Portugal. Backlogs of aircraft built up at airports all over Europe. The British Airline Pilots' Association said that Spanish

controllers had taken frequent industrial action over the winter. Similar action is also threatened by controllers in Greece and in Italy, and the air traffic control system is expected to show signs of strain in the peak months this summer.

The prospects of further delays came as the British Airports Authority published a survey which showed that London's Heathrow Airport was the least liked of all British airports. The authority said that the worst feature of British airports was the time taken for baggage claim.

The placing of Heathrow at the bottom of the list reflected its congestion, the authority said. The airport was approaching its capacity limits.

In contrast, passengers thought that leaving Stansted was "quick and simple." Their luggage was also treated well, the survey said.

## Tories promise more pay to troops

BY JOHN HUNT

THE ARMED services will get a better pay deal if a Conservative Government is returned to power at the next general election, Sir Ian Gilmore, the Tory defence spokesman, promised yesterday.

A Conservative government would achieve this by restoring to the services full comparability with civilian pay levels this year instead of waiting until 1980 as proposed by the Government.

Sir Ian gave his undertaking in the Commons during the opening stages of the two-day debate on the Government's annual defence White Paper.

He condemned the Government for "wilful neglect" of Britain's defences and claimed that under Labour the services had suffered the worst five years in their history.

Significantly, however, Sir Ian refused to be drawn into saying what Tory Government would regard as an adequate increase in defence spending.

Mr. Stan Newens (Lab., Harlow), a member of the Tribune Group, and Mr. Fred Mulley, the Defence Secretary, challenged Sir Ian to spell out the financial details of the opposition's defence policy.

The Conservative spokesman replied that it would be absurd to answer such a question before a Tory government had an opportunity of examining the books.

The answer would be given, he said, when a Conservative government was returned at the election and introduced its own defence White Paper next year.

As usual, Mr. Mulley ran into trouble with the Labour Left,

which is opposed to any increase in defence spending.

The Government motion before the House endorsed the White Paper on the grounds that its policies were based on collective efforts to deter aggression, while seeking opportunities to reach agreement on arms control and disarmament.

The Tribune Group had put down an amendment opposing the White Paper because it provided "a massive increase" in military expenditure to a level of £8.5bn in 1979-80.

This would add to world tension and was contrary to Labour's election pledge to re-deploy armaments industries to the manufacture of socially useful products.

The amendment also re-affirmed Labour's commitment not to proceed with a new

generation of nuclear weapons when the present submarine-borne Polaris missiles are phased out.

Leading the Tory attack, Sir Ian alleged that the Labour Government had "ridicled the books" over defence expenditure and had done the services out of about six months' pay by holding back full comparability until 1980.

"We shall restore comparability this year and we shall see that this sort of thing never happens again," he declared.

He said the Government should have added a further £200m to the defence budget to take into account servicemen's wage increases. This would have to be made good.

There was an immense amount for an incoming Conservative government to do to

restore the damage inflicted by Labour.

Attention would have to be paid to air defences, the defence of the sea lanes, the nuclear deterrent and British reserves. The cutting edge of our frontline troops in Germany would have to be restored and adequate ammunition and spare parts provided.

"All of these things and many others are necessary," said Sir Ian. "But the first thing to do is to deal with the pay and conditions of the services. This must be our overriding priority. First, we shall restore morale and then we shall restore the army." Sir Alan said that Mr. Mulley had done nothing to stop the "stampede" of officers taking early retirement.

If the Defence Secretary had been captain of the Titanic, he would not even have known the ship was sinking. He would have launched an inquiry and gone off to his cabin for a snooze.

For the Government, Mr. Mulley argued that the White Paper maintained Britain's commitment to increased defence spending in real terms by 3 per cent annually over the next five years.

On pay, the Government stood by its commitments. Next month the armed forces will get a 3.5 per cent increase representing half the shortfall from last year.

On top of this, they would get whatever the pay review body recommended for the current year. There would be full comparability by April of next year. On recruiting, he was cautiously optimistic. In 1978, intake was up 5,000 on 1977.

Premature retirements of officers in the army and air force had dropped slightly. There were 777 in the army and 587 in the RAF in the 11 months to end of April.

This compared with 851 and 715 respectively in the same period the previous year. But

## Industry opposes new exams, teachers told

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

INDUSTRIAL OPPOSITION to proposed changes in either the GCE Advanced-level or in the major national 16-plus examinations was emphasised yesterday by Sir John Mervin, director-general of the Confederation of British Industry.

"Any reform of the system must retain the confidence shown by employers and the public in the reliability and consistency of the present system," he told the annual conference of the Secondary Heads Association in Warwick.

Industry doubted the usefulness of the system of Normal-level and Further-level exams suggested by the Schools Council as a broader replacement for GCE A-levels as the major 16-plus examination.

Although accepting in principle that there should be a single system of 16-plus exams instead of the present GCE Ordinary levels and the less academic Certificate of Secondary Education, the CBI had doubts about the scheme for change currently before the Government.

"These include the ability of the new system to do full justice to the needs of all pupils concerned, particularly the most and least able; the preservation

of overall educational standards; and the retention of a strong and predominant role for external examining bodies," Sir John added.

Mrs. Shirley Williams, Secretary of State for Education and Science, told the conference that while the Government was in no way committed to abolishing GCE Advanced levels, it welcomed discussion on reform.

She believed it would be premature to reach a conclusion on this before seeing the effects of the single 16-plus system, which she indicated could still be introduced by 1985.

Mrs. Williams also accused certain elements in the public service unions of seriously affecting the education of many children during the recent strike.

It was important that entry to schools should not be controlled by a caretaker or any other one person, and that head teachers should have access.

"We need to find ways of protecting schools from the effects of industrial disputes... All of us concerned with the problem should now work out how far the proposals in the recently published Trades Union Congress guidance on industrial disputes should apply to us in education."

## U.S. moves by Taylor Woodrow

By Michael Cassell

TAYLOR WOODROW is extending its range of activities in the U.S. to include industrial development.

The UK construction and civil engineering specialist is already active in the U.S. through its substantial interest in the Biltman Corporation construction group, and housing work in Florida and on the West Coast. It has a stake in U.S. opencast mining.

Taylor Woodrow Industrial Estates said yesterday that it too would operate in the U.S. Work would begin in June on its first development, through a new company in San Francisco, on a 30-acre site at Visalia, California.

The first phase of the Sequoia Industrial Park will provide 150,000 sq. ft. of industrial space on a 10-acre site. Units will be available for leasing or sale, and provision is being made for "custom-designed" buildings.

Mr. John Bone, chairman of Taylor Woodrow Industrial Estates, said that the company had examined opportunities for industrial development in the U.S. for over a year and he believed the area in which it intended to operate initially was "a very good investment area." Further development sites were currently being considered.

## Benn defends North Sea policy

BY IVOR OWEN

TORY claims that Government policy has deterred the major oil companies from undertaking new commitments in the exploration of Britain's offshore resources were repudiated by Mr. Anthony Wedgwood Benn, the Energy Secretary, in the Commons yesterday.

In sharp contrast to Mr. Tom King, the Conservative energy spokesman, he insisted that there had been a successful outcome to the sixth licensing round, with 88 per cent of the profit reserved for the British people.

He ridiculed Mr. Peter Rost (C., Derbyshire SE) who asserted that some oil companies had been "frightened" out of the sixth round.

Mr. Benn retorted: "If you think any oil company can be

frightened away from the North Sea after what has happened in Iran and at a time when OPEC Ministers are meeting in Geneva, you need to re-examine the realities of the situation."

Mr. Benn explained that the conditional awards of licences for 42 of the 46 blocks on offer reflected the fact that certain applicants would accept particular blocks only if successful on others which could not be offered.

As with the fifth round, the awards were subject to two main conditions:

● An agreement between the Department and the prospective licensee, including the British National Oil Corporation, of an obligatory work programme for exploration of the blocks to be licensed.

● The conclusion by BNOG and each group of co-licensees, with the Energy Secretary's approval, of a joint operating agreement based on the guidelines published in August 1978, which should be completed as soon as possible.

Mr. Benn stressed that the award of the licences, when confirmed, would extend activity on the UK's continental shelf into barely explored areas north-west of the Shetlands and in the south-western approaches.

"The licences will further advance Britain's control over its oil and gas resources," Mr. Benn maintained that the main new feature of the sixth round — the opportunity for applicants to make offers over and above the standard terms — had been a success.

## NEB 'pillaging forays' attacked

THE National Enterprise Board should not "set forth on pillaging forays" in profitable private enterprises, a Tory peer told the Lords yesterday.

Lord Campbell of Croy, was speaking during the second reading debate on the Industry Bill, which seeks to increase the NEB's financial limit to £3,000m, with provision for a further increase up to £4,500m.

The Welsh and Scottish Development Agencies' limits would also be increased.

He said it was unlikely that such increases in expenditure could be reached in the foreseeable future. "Indeed, it is inadvisable that the level be reached where the NEB is concerned."

Lord Campbell criticised NEB investment in private companies which were healthy and successful, large or small, without "warning, provocation or need."

The NEB's role should be limited and should not allow an appetite for devouring rivals and neighbours.

For the Government, Lord Jacques said that of the NEB's present limit, £890m was committed, leaving only £170m.

"This is known to be less than the requirement of British Leyland and Rolls-Royce in the near future, so the consequence is that the limit will be reached shortly after the Bill reaches the Statute Book."

The Government was committed to pumping a further £400m into BL following the Ryder Report, providing performance justified it, he added.

For the Liberals, Lord Rochester said the Bill would have "a destabilising influence."

"We don't think the Government has given enough information to Parliament for it to form an adequate judgment as to whether these enormous increases in statutory financial limits should be granted."

The Government was "acting against the interests of the NEB, not to mention the economy as a whole."

The Bill was given an unopposed second reading.

## Biffen applies first principles to EEC

BY ELINOR GOODMAN, LOBBY STAFF

A SECOND shadow cabinet minister yesterday attacked some aspects of the European Community — but he was careful to put his criticisms within the context of long-established Conservative economic policies.

Mr. John Biffen, opposition spokesman on small businesses and one of the few members of the shadow cabinet to oppose the entry to the EEC, said that the artificially large food surpluses were totally at odds with the Tory belief in liberal economics.

The Conservatives, he said, did not need to be told by the Government that the agricultural policy was collapsing under the weight of its own surpluses.

"The principles of liberal

economics instruct us that if you destroy the market price mechanism, untold mischief can follow."

By constantly referring back to Conservative first principles, Mr. Biffen appeared to be trying, within the bounds of party policy, to deflect the Government suggestion that the Conservatives are unreservedly pro-European.

He also argued that the Community's obsession with harmonising all manner of laws was imposing an intolerable burden on industry and was, therefore, contrary to the Tory desire to relieve companies of bureaucratic problems.

Mr. Biffen also mentioned one aspect of EEC policy still caus-

ing considerable debate within the party.

Some Conservatives believe that a larger regional fund could enable Britain to get more out of the EEC budget, but Mr. Biffen claimed that Conservative liberal economic policies required only "modest spending" on the regional fund.

Regional policy, he said, had a legitimate but highly qualified role in the party's domestic programme "and it should be likewise in respect of the Community."

Mr. Biffen also stressed the need for Conservative policies in Europe to be consistent.

"We dare not preach one message for Westminster and offer something quite different for Strasbourg."

## Isabey miniature fetches £5,200

A MINIATURE by Jean Baptiste Isabey of four small children, painted about 1810, sold for £5,200, plus the 10.8 per cent buyer's premium, at Sotheby's yesterday. It was bought by Eskenazi and was the top price in an auction of miniatures and silhouettes which totalled £83,861. Another miniature by Isabey, of Anne-Basine-Maxence, Comte de Darvas, made £4,000. The first day of a book auction at Sotheby's brought in £46,747, including £8,000, plus

the premium, for a vast series of plates relating to Eugene Francis, Prince of Savoy, published in the 1730s.

### SALEROOM

BY ANTONY THORNCROFT

Christie's disposed of porcelain for £46,580, Burnley Antiques paying £1,800 for a

Ridgeway's green-ground, part dessert service of around 1830. At the weekend in New York Christie's held an art nouveau and art deco sale which totalled \$538,006. A peony leaved glass and bronze table lamp by Tiffany was bought by a New York dealer for \$20,000, and a gilt bronze lamp by Raoul Larche fetched \$17,500. An opal, enamel and gold brooch by Rene Lalique, circa 1900, was bought by Simpson, the New York dealer, for \$14,000.

## BANKING IN THE UNITED STATES CONFERENCE

### British acquisitions in U.S. could still be reversed

BY WILLIAM HALL

EVEN THOUGH the Federal Reserve has given its blessing to the three recent British acquisitions of U.S. banks costing close to \$1bn, there is an outside chance that future legislation on foreign takeovers of U.S. banks may declare the deals void retroactively.

U.S. Representative Henry Reuss, chairman of the powerful house banking committee, said in London yesterday that "it was neither possible nor desirable to attempt to rush through Congress in a few days legislation forbidding such acquisitions."

In the past year foreign banks have applied for permission to buy U.S. banks with total assets of \$23bn. The three largest proposed acquisitions—Marine Midland, National Bank of North America and Union Bancorp—have domestic assets greater than the total domestic assets of 32 U.S. states. Small U.S. banks are worried about the threat to their independence while major U.S. banks are often forbidden to take over similar sized banks.

Speaking at a conference, Banking in the United States, organised by City forum and sponsored by the City University and the U.S. Government Research Council, Mr. Reuss said it was not a good idea to impose "ill-thought-out barriers" on international capital movements. However, he added he was aware that the home countries of the acquiring banks "would have fits" if Americans tried to take over their banks. He gave a warning that the U.S. was not indulging in



MR. HENRY REUSS  
"No unilateral, financial disarmament"

"unilateral financial disarmament."

"If it later develops that future acquisitions, or indeed the current proposed acquisitions, require statutory treatment, statutory treatment can be provided — probably prospectively but conceivably retroactively."

Mr. Reuss added that retroactive legislation was not very likely. He said that foreign acquisitions by U.S. banks ought to be considered on the same general footing as those by domestic banks.

Mr. John Heimann, U.S. Comptroller of the Currency, said at the same conference that he was "particularly sensitive" to the special problems posed

by the entry into the U.S. market of foreign banks.

"Different national laws and customs regarding the disclosure of information which we require from our domestic institutions may make it difficult to permit entry at times," Mr. Heimann said. "Moreover, the inability to obtain the quantity and quality of pertinent information about the related activities of the foreign owner and the absence of ready jurisdiction over a controlling principals gives further cause for concern."

The foreign bank invasion is only one of many pressures forcing changes in the U.S. financial and regulatory structure, which has remained virtually untouched since the banking crisis of the 1930s.

Mr. Heimann spoke of the need to consider seriously "the phasing out of legal constraints on geographical bank expansion" in the U.S. These are enshrined in the 1927 McFadden Act. "Such restraints create inefficiencies for forcing banks to devote resources seeking ways to circumvent these barriers."

On the subject of the Glass Steagall Act, which forbids U.S. commercial banks to undertake investment banking, Mr. Reuss and Mr. Heimann agreed that there was a case for scrutinising the legislation.

However, both hinted that any reforms would be piecemeal. The 13,000 small banks in America, with average assets of \$7m each, are a powerful lobby against change. In an election year (1980) the possibility of pushing through any major reform on the banking system would seem slight.

## Pearl ready to renew talks

THE GOVERNMENT is ready to continue talks on the civil service pay claim any time, the Minister in charge of the Civil Service, Lord Pearl, said yesterday.

He was speaking in the Lords soon after the unions had rejected the Government's 7 per cent offer.

After angry clashes, the representatives of the eight unions walked out of the meeting with Ministers.

Bill Kendall, a civil service staff negotiator, said the offer was a cynical repudiation of everything the Government had promised when it reinstated pay research for civil servants.

But Lord Pearl told peers: "I am anxious that the talks, which

have been interrupted, will continue. It is in the interests of civil servants that they have a meaningful relationship and discussions with the Government."

"I am anxious that we should get on with this, and there is no reason why we should not," he said.

In the Commons, Hal Miller (C Bromsgrove and Redditch) challenged Mr. Charles Morris, Civil Service Minister, to explain why the Whitehall unions had been offered less than the dustmen.

Mr. Morris said the civil servants' offer of 7 per cent compared with the dustmen's 9 per cent — were a different case because they had their own pay research unit.

## More rights for reporters

THE Commons privileges committee has recommended an amendment to the law exempting Parliamentary reporters from legal action arising from publication of proceedings in the House.

The committee said in a report yesterday that the existing law protects only extracts from Parliamentary papers.

"It does not protect other reports of proceedings in Parliament, such as newspaper reports based on the reporter's own record of Parliamentary utterances."

logical to subject a reporter to criminal law if, without malice, he reported what took place in Parliament when he could lawfully print an extract from Hansard.

This, said the committee, was because Parliament had authorised the printing of Hansard but had not authorised newspaper reports.

The committee recommended extending the protection already afforded to all fair and accurate reports of Parliamentary proceedings.

The committee emphasised the obligation of all members to consider the widespread effect of any statements made outside the House which would be defamatory or criminal when reported by newspapers or broadcast.

Important Notice of interest to manufacturers, importers, wholesalers, retailers and others concerned with "Novelties" and similar goods.

CONSUMER SAFETY ACT 1978  
Notice by The Secretary of State for Prices and Consumer Protection  
Proposal for a Prohibition Order

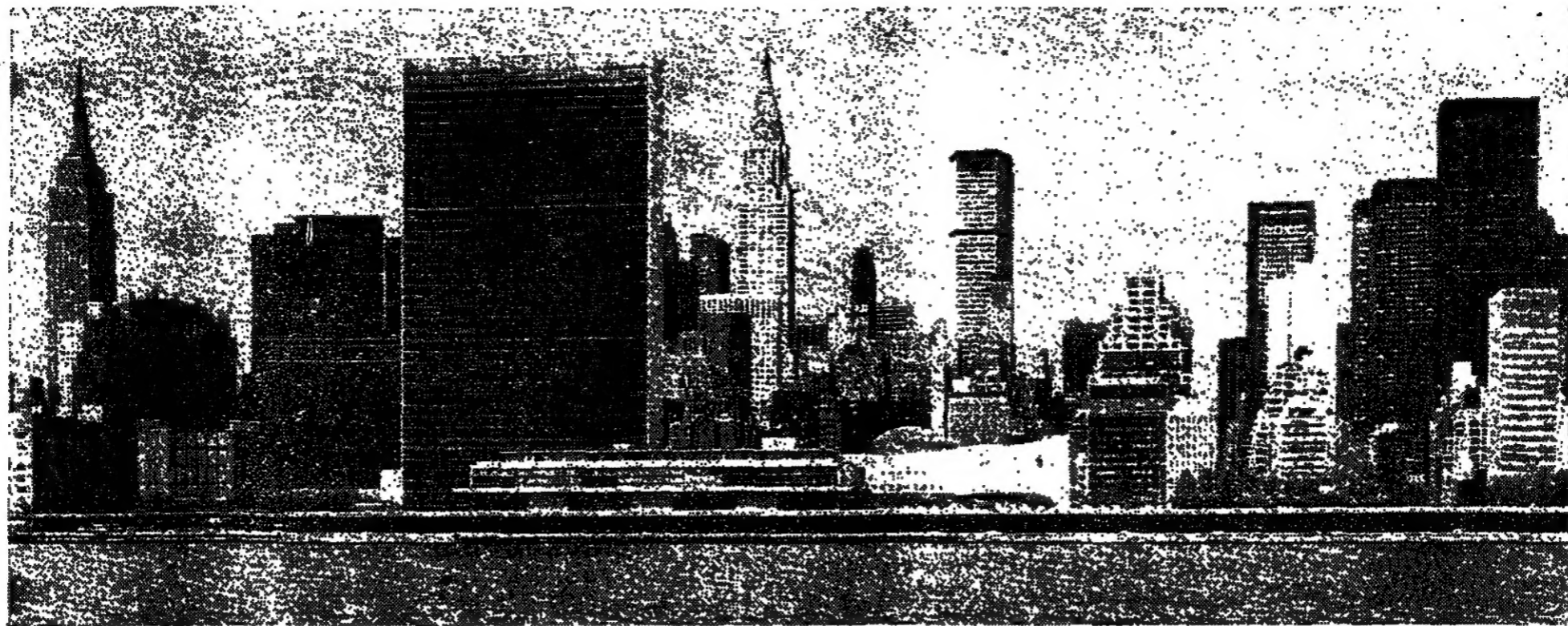
The Secretary of State, pursuant to section 3(2) of, and paragraph 1 of schedule 1 to, the Consumer Safety Act 1978, hereby gives notice that he proposes to make a prohibition order under section 3(1)(a) of the said Act prohibiting persons from supplying, offering to supply, agreeing to supply, exposing for supply or possessing for supply any novelty to which the order will apply if any substance relevant to the novelty is capable of causing personal injury in the course of, or as a result of, the use of the novelty.

He proposes to provide that any article designed or intended to afford amusement to any person by causing discomfort to any other person by means of the use or exploitation of, or of the properties of, (i) any substance constituting or contained in the article or (ii) any substance produced by the combustion of any substance constituting or contained in the article or by the chemical reaction of any such substance with any other substance, whether or not constituting or contained in the article, will be a novelty to which the order will apply; and to provide that a substance is relevant to a novelty to which the order will apply if it is a substance which, or the properties of which, the novelty is designed or intended to use or exploit.

Any person may make representations in writing to the Secretary of State about the proposed order before 27th April, 1979.

Representations should be sent to the Assistant Secretary, Consumer Safety Unit, Department of Prices and Consumer Protection, Room 1938, Millbank Tower, Millbank, London SW1P 4QU.

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## THE JOBS COLUMN

## Accountancy heads industry salary league

BY MICHAEL DIXON

ACCOUNTANCY JOBS still lead the salary league in British manufacturing and service industry. That is the conclusion, at least of the latest survey to be made by Lloyd Incomes Research of pay and perks in accounting, marketing, and data-processing jobs in 128 companies in various parts of the country. The check was made as at the beginning of this month.

Before going on about the survey, however, I had better try to forestall a sharp protest from Mr. Barry Barker, secretary of the Institute of Chartered Secretaries and Administrators. This is because he maintains that a company secretary's job is broader and no less important than any accountant's, and he will dislike Lloyd's classifying company secretaries among accountancy workers.

But be of good cheer, Mr. Barker, for otherwise your prides and joys would probably not have appeared in the survey at all, let alone have registered the second highest maximum pay. Besides, the Institute of Chartered Secretaries is acknowledged as a qualifying body for the work in the job descriptions on which, after discussion with the various employers, the researchers based their report.

In full, the document costs £75 (at which price it may be

obtained from Mrs. Eileen Spring at Lloyd Incomes Research, 72-74 Brewer Street, London W1R 4DA. Telephone 01-437 2427). By special dispensation, however, the Jobs Column has been allowed to extract the adjacent details for the 34 jobs covered by the survey, which showed a maximum salary of at least £3,000 a year.

Of a total of 3,153 people surveyed 358 were in 48 small concerns each employing no more than 200 souls all told; 1,381 worked in 43 medium-sized companies with payrolls of up to 2,000; and 1,418 were employed by bigger organisations.

## Samples

Of the job categories represented in the table, those based on the smallest sample of people were corporate planners and treasury accountants, with 10 each. Most of the others were based on samples a good deal bigger. The largest was 135 for the financial accountants.

By the way, if the people in each category were ranked by salary from maximum to minimum, the upper quartile would be the salary of the person a quarter way down the ranking, the median that of the one in the middle, and the lower quartile that of the person three-quarters of the way down.

## ACCOUNTANCY, MARKETING AND DATA-PROCESSING IN BRITISH MANUFACTURING AND SERVICE COMPANIES

Sector	Job-title	Annual salary in £					Percentage of category with "Bonuses" of 10% plus of salary	Company Cars
		Minimum	Lower quartile	Median	Upper quartile	Maximum		
Acc.	Financial director (Board)	8,000	11,300	12,912	14,199	51,100	22	97
Acc.	Company secretary	7,000	8,434	11,000	14,000	30,000	12	88
Acc.	Financial controller	6,200	9,168	9,168	10,300	24,502	13	94
Mkt.	Marketing director (Board)	6,200	12,000	13,000	17,000	24,750	29	97
Acc.	Financial director (executive)	7,889	10,300	11,500	19,800	24,735	53	88
Mkt.	Marketing director (executive)	8,250	9,488	12,500	13,500	19,800	27	100
DP	Data processing manager	3,134	4,848	9,000	9,270	16,531	15	81
Mkt.	Marketing manager	4,768	8,000	9,000	11,000	15,450	15	74
Acc.	Chief accountant	6,265	7,000	8,000	9,500	15,000	25	49
Acc.	Management accountant	5,000	6,500	7,000	8,218	14,000	5	44
Mkt.	Market research manager	4,825	6,000	6,000	8,800	14,000	—	47
DP	Systems & programming manager	5,000	6,500	7,994	8,850	13,000	—	46
Mkt.	Sales promotion executive	4,825	5,130	6,250	7,000	13,000	21	44
DP	Senior programmer	4,500	5,500	5,930	6,500	12,189	5	—
Acc.	Taxation accountant	5,250	7,500	8,500	9,750	12,000	73	85
Mkt.	Advertising/media controller	4,200	4,933	5,600	7,300	12,000	10	67
Acc.	Corporate planner	4,700	4,563	8,000	10,095	11,538	—	50
Acc.	Treasury accountant	7,439	7,450	9,180	10,284	11,500	—	40
Mkt.	Group product manager	6,200	7,500	8,085	8,700	11,422	4	88
DP	Chief/senior systems designer or analyst	4,752	6,408	7,242	8,061	11,000	4	6
Mkt.	Sales promotion manager	5,000	6,500	6,900	7,439	11,000	11	74
Acc.	Cost accountant	4,000	5,750	6,300	7,385	10,739	7	20
Acc.	Credit controller	3,400	4,500	5,581	6,500	10,353	9	21
Mkt.	Product manager	5,000	6,000	6,450	7,300	10,250	3	40
Acc.	Financial accountant	5,000	5,500	6,000	6,800	10,200	48	37
DP	Operations manager	4,250	4,584	6,000	6,981	10,057	8	30
Mkt.	Marketing services manager	4,000	5,800	6,900	8,572	10,000	7	67
DP	Systems programmer	4,500	5,040	5,500	6,000	9,715	—	2
DP	Chief operator/shift leader	3,500	4,534	5,500	6,500	9,621	34	—
DP	Chief programmer	5,000	5,880	6,338	6,966	9,495	—	—
Acc.	Internal auditor	3,000	5,250	5,414	5,750	8,988	1	22
Acc.	Experienced assistant accountant	3,405	5,000	5,500	6,500	8,500	57	3
Acc.	Systems accountant	4,400	5,200	6,414	7,350	8,218	—	19
Mkt.	Market research executive	4,130	5,629	6,000	6,847	8,000	15	8

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Da wir die Zurückhaltung qualifizierter Interessenten unserer Branche kennen, haben wir Herrn Dipl.-Ing. Gerhard Kienbaum und sein Team gebeten, sich für unverbindliche Kontakte und Auskünfte zur Verfügung zu stellen. Die Herren behandeln Sperrvermerke uns gegenüber absolut vertraulich. Sie wirken bei der Auswahl mit und sind von uns gebeten worden, spezielle Befähigungen und Interessen eingehend zu erörtern.

Für eine erste vertrauliche Kontaktaufnahme steht Ihnen Herr Welke unter Telefon-Nr. 02261/73033 zur Verfügung.

Ihre schriftliche Interessenbekundung richten Sie bitte an Kienbaum-Chefberatung, Postfach 310161, 5270 Gummersbach 31, unter Kennziffer 980 701.



## Kienbaum Chefberatung

Gummersbach, Düsseldorf, Berlin, Bonn, München, Brüssel, Luxemburg, Wien, Salzburg, Zürich, São Paulo, Buenos Aires, Boston, San Francisco

## Financial Controller

London based

- The company manages the Dubai International Trade and Exhibition Centre which is a new complex of buildings incorporating a well-equipped exhibition hall, conference theatre, multi-storey office block, luxury hotel and furnished apartments.
- The Financial Controller reporting to the Managing Director is a key post in a small management team responsible for all accounting matters including the treasury function, preparation of budgets, investment and capital expenditure appraisal. Will also advise management in negotiations with Banks and financial institutions.
- Candidates ideally 28 to 35 professionally qualified ACA/ACCA/ACIS with sound commercial experience seeking a new challenge, prepared to travel and used to working with initiative. Experience of leasing and property management an advantage. Attractive and flexible compensation package. Ref: 8/FT/FC

## Internal Auditor International

- The company is a leading international safety appliances company with manufacturing capacity in fifteen countries and a turnover in excess of \$205 million.
- The internal auditor international will be responsible for conducting internal audits of international subsidiaries of the company and will be expected to recommend changes in accounting procedures and methods in order to improve internal control. Extensive travel primarily in Europe, Africa and Australia. Excellent opportunities for promotion.
- Candidates ideally 27 to 35 qualified ACA/ACCA/ACMA with several years auditing experience either in the profession or with an international company. Attractive and flexible compensation including substantial fringe benefits. Location flexible but located in a city in Europe. Ref: 8/FT/IAI

ERI

Please write, quoting reference and giving details of age, qualifications, experience, current salary and domestic circumstances to: Michael Berger FCB, Executive Resources International (UK) Limited, Management Consultants, 87 Jermyn Street, London SW1Y 6JD. Short listed candidates will be notified within four weeks.

## THE INVESTORS CHRONICLE

is looking for a Journalist with experience in a finance-related field. A background on publications dealing with accountancy, property or industry would be particularly appropriate.

Apply in writing to:  
The Editor  
Investors Chronicle  
Greystoke Place  
Fetter Lane  
London EC4.

## Simon &amp; Coates

Have a rewarding position for a clerk with Stock Exchange experience who is looking for advancement and is in the age group 20 to 30.

The successful candidate will join our International Settlement Department where full training will be given.

Attractive salary plus bonus and usual fringe benefits.

Telephone 01-628-5738 or write to the Office Manager at  
SIMON & COATES,  
1 London Wall Buildings,  
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## UNITED ARAB EMIRATES

THE UNION CEMENT COMPANY, Ras al Khaimah, is the oldest and largest cement company in the U.A.E. employing a multinational staff of about 350 at a works situated on the coast of the Gulf. The Company wish to make the following appointments effective from June 1979:

## SENIOR ACCOUNTANT

To supervise the accounts department of about 15 persons. To prepare balance sheets, supervise ledger keeping and the company salary system. Reporting to Financial Manager.

Qualifications: ACMA or ACA.

## PERSONNEL OFFICER

To supervise the personnel department of about 25 persons. Maintain and keep under review Company rules and regulations. Supervise the running of the company transport and bachelor quarters. Reporting to Financial Manager.

Qualifications: University Degree or proven experience in similar capacity.

## SYSTEMS ANALYST &amp; D/P OFFICER

To supervise the running of the D/P section. Development and maintenance of systems. Design and maintain documentation manuals. Reporting to Financial Manager.

Qualifications: University Degree or other documented training/experience. Preference given to candidates with experience of the N.C.R. 8230 machine.

Candidates should be in the age group 25-40, be in good health and with first-class documented experience in similar positions. Initial contract one year, bachelor status. Salary level and fringe benefits will be discussed and agreed at interview.

The UNION CEMENT COMPANY is under the management of A/S NORCEM, Oslo

First applications with detailed C.V. to:

D. H. Robson,

NORCEM HOLDINGS LIMITED,

Barnet House, 34 St. James's Street, London SW1A 1JT.

## GENERAL MANAGER INTERNATIONAL PUBLISHING HONG KONG BASED

Hong Kong based publishing company marketing investment newsletters, books, tapes and seminars worldwide requires a General Manager. He or she will report to the Managing Director who is also Editor and will have total responsibility for the day-to-day running of the business.

The successful applicant will be leading a hard-working, result-orientated entrepreneurial team. Must have a proven track record in administration, accounts, production and direct marketing. A knowledge of international economics and markets would be useful.

Applicants should preferably be about 28 to 38 and single or married with no children. Reward: Basic salary £9,000 to £11,000 p.a. Maximum tax 15%. Housing allowance £150 per month. Profit sharing bonus. Start: around July 1, 1979.

Please send detailed curriculum vitae to:  
Box A6717, Financial Times  
10 Cannon Street, EC4P 4BY

## UNIVERSITY OF DAR ES SALAAM — TANZANIA

Applications are invited for the following posts in the DEPARTMENT OF MANAGEMENT AND ADMINISTRATION

## PROFESSOR/ASSOCIATE PROFESSOR/SENIOR LECTURER IN FINANCIAL MANAGEMENT

Candidates must possess a Doctorate in Business Administration, specialising in Financial Management. They must have several years of teaching experience at University level or equivalent institutions. Consideration will be given to candidates with specialisation in Financial Management, Advanced Public Finance, Capital Budgeting and International Finance.

## PROFESSOR/ASSOCIATE PROFESSOR/SENIOR LECTURER/LECTURER IN MARKETING MANAGEMENT

Candidates must possess a Doctorate in Business Administration, and should have teaching experience at University level or equivalent institutions. Consideration will be given to candidates with experience in teaching and researching in Sales Management, Export-Import Marketing, Market Forecasting and Planning, Price Formation and Market Distribution Systems.

## PROFESSOR/ASSOCIATE PROFESSOR/SENIOR LECTURER/LECTURER IN ACCOUNTING

Candidates must possess a Doctorate in Business Administration and should have teaching experience at University level or equivalent institutions. Consideration will be given to candidates with experience in Intermediate Accounting, Cost Accounting, Advanced Accounting and Taxation.

## SENIOR LECTURER/LECTURER IN SOCIO-PSYCHOLOGY OF INDUSTRY

Candidates must possess a Doctorate or MA in Industrial Psychology and Sociology. Consideration will be given to candidates with teaching experience in Research Methods and Training Seminars.

Salary scales: (Salaries exclusive of 50% expatriation allowance). Professor £12,700 p.a., Associate Professor £12,380-2,590 p.a., Senior Lecturer £11,960-2,480 p.a., Lecturer £11,620-1,880 p.a. (ET) or £1,222 (starting). The British Government may supplement salaries in range £4,386-5,804 p.a. (starting) for married appointees and £2,764-4,038 p.a. (starting) for single appointees (reviewed annually and normally free of tax) and provide children's education allowances and holiday visit passages. Family passages: FSSU; biennial overseas leave. Detailed applications (2 copies) with curriculum vitae and naming 3 referees to be sent direct to Chief Academic Officer, University of Dar es Salaam, PO Box 35091, Dar es Salaam, Tanzania by 8 April 1979. Applicants resident in the UK should also send one copy to Inter University Council, 80/81 Tottenham Court Road, London W1P 0DT. Further details may be obtained from either address.

## HARLOW MEYER &amp; CO.

Experienced Commercial Brokers required to join our expanding Sterling Department

Please write or telephone in strict confidence to:  
W. Laidler, F.C.A.  
Secretary  
HARLOW MEYER & CO.  
Adelaide House  
London Bridge, London EC4R 9EQ  
Telephone: 01-623 6534

## 2 MANAGERS

for Maintenance Division  
Must have experience of Cleaning Equipment and Home Appliance Engineering.

## SALES MANAGER

To promote Cleaning Equipment and Home Appliances. The above appointments will be based in Jeddah, Saudi Arabia.

For further details phone:

Mr. Ali M. Bayazeed at the London Hilton  
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He will be there between 3 and 6 p.m. today and every day until Friday.

## SALES DIRECTOR (DESIGNATE)

Applications from men or women are invited for this new appointment in the UK affiliate of an important U.S. company selling fluid power products. The person appointed will lead a small but enthusiastic team in expanding market penetration and identifying product opportunities for increasing sales. Applicants will be offered training in the U.S. to augment their present industrial marketing background in pneumatics or associated fields. This position, based in the Cotswolds, will offer an attractive salary and other benefits. Assistance will be given with relocation expenses if necessary.

Apply Box A5779, Financial Times, 10, Cannon Street, EC4P 4BY.

## 2 YOUNG INVESTMENT ANALYSTS

Age about 20  
For Japanese Department of City Stockbrokers  
Previous analytical experience but not necessarily in the financial sector of the market.  
£4,500, twice yearly bonus.  
LVs and other benefits.  
Ask Della Franklin  
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## THIRD MEMBER OF TEAM

International business magazine in Westminster requires third member of team. 50% secretarial — to Managing Editor — 50% running subscriptions and helping produce magazine. IBM Golfball. Hours: 9.30-5.30 flexible. Salary in region of £4,000 p.a. — 4 weeks' holiday. LVs. BUPA pension plan. Phone ring 01-830 0882, Ext. 240, or write: BENEFITS INTERNATIONAL  
30 Queen Anne's Gate  
London SW1W 9AW



£6,000

accountancy appointments

£9,000

## Accountancy Personnel

### ACCOUNTANTS COMPUTER SYSTEMS

W, SW, E &amp; N LONDON £8-£10,000

Go-ahead and growing companies are seeing the value of computerised accounting. Four companies are offering rewarding progressive appointments to accountants with experience of implementing computerised accounting systems.

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Responsible to M.D. for whole accounting function and staff of ten in £15m t/o established company in food industry. Company seeks competent 35-43 year old with view to becoming financial director within two years.

Ref. Richard Mooney 5042

### ENTRY INTO INDUSTRY THROUGH INTERNAL AUDIT — £7,000-£9,000

For those who want personal interviews to discuss perspectives and who want introductions to opportunities in the UK and overseas contact:

Richard Mooney

Telephone or write:

ACCOUNTANCY PERSONNEL SENIOR APPOINTMENTS  
41 London Wall, London EC2M 5TB - 01-588 5105

## Experience in Commerce or Accounting?

## Earn up to £7,500 as a Specialist in INSOLVENCY

If you have the ability to cope with the problems of businesses in financial difficulties with energy and style, contact us now. We are Thornton Baker, a national firm of chartered accountants, and need more Seniors in our expanding insolvency departments, which deal with a wide range of special work as well as receiverships and liquidations.

**You must** be able to communicate effectively with businessmen, their bankers and solicitors, together with fellow professionals, and show initiative in making commercially rational decisions in stress situations. Previous experience of this work would be an advantage, but is less important than enterprise, ambition and the will to succeed. You will be a qualified accountant or will have experience in the commercial or professional field.

**We offer** in return programmed professional development. Including specialist and general in-house courses, early responsibility and real involvement in the technical and administrative development of the practice. Progression is limited only by your own ability, and

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**Thornton Baker** has offices in nearly every major centre throughout the U.K., and can therefore give you an unrivalled breadth of experience and range of opportunity. Whichever of our offices you work from, you will find the highest level of standards, constantly under review. Courses in the ideal atmosphere of our own residential training centre, Bradenham Manor near High Wycombe, will help you to maintain them.

**Interested?** Then pick up a phone and ring one of the specialist partners shown below:—

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Robert Butler  
0234 211521

#### Brighton

Peter Belme  
0273 778955

#### Bristol

David Bird  
0272 28901

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051-227 4211

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Ian Turner  
0632 612631

## Taxation Accountant

The applicant selected for this post will become an important member of a small specialist department based at Whyteleafe. The department provides a centralised Taxation Service for all subsidiary companies within the group. The applicant can therefore expect to deal with a wide variety of companies whose interests range from films to manufacturing. Duties will include computation work for a number of UK subsidiaries, correspondence with Inland Revenue offices and advising on corporation, income and VAT problems and procedures. The successful candidate will certainly have an accountancy qualification and/or membership of the Institute of Taxation. Experience of Corporate Taxation either in the profession or with a major commercial organisation is essential. The position will ideally suit a recently qualified accountant who would prefer to specialise in tax matters. Salary will be negotiated according to experience. To apply for this responsible appointment, please write, giving brief details of career to date and present salary to:

Mrs. V. Apps, The Rank Organisation  
439-445 Godstone Road  
Whyteleafe, Surrey  
Tel: Upper Warlingham 3355

**THE RANK ORGANISATION**

### RECRUITMENT CONSULTANT

We are a well established group of Recruitment Consultants. Due to expansion we are looking for a bright and experienced consultant who can contribute to the continuous growth of the Accountancy Division. According to age and experience we are offering a salary of £6,000 plus commission plus bonus. To apply please telephone or write to:

DUNLOP AND BADENOCH LTD.,  
21, Ferry Street, W.1.  
E5 9BB

## INTERNAL AUDITORS

London up to £7276

We have vacancies at auditor level in the Headquarters Audit and Investigations Department at our offices in High Holborn.

If you are a qualified accountant or part qualified with a degree and feel you can make an effective contribution to the work of the Department we would like to hear from you. Our responsibilities include a full range of systems audits, an active role in the audit of major construction and pipeline contracts and also joint venture audits. A limited amount of travelling is involved and assistance will be given towards relocation expenses where appropriate.

Salary, depending on qualifications and experience will be within the range £5755-£7276 including £502 Inner London Weighting plus current self-financing productivity payment and the benefits normally associated with a large progressive organisation.

Applications, quoting reference F/017401/ET giving full details of experience and qualifications to the Senior Personnel Officer (London), British Gas, 59 Bryanston Street, London, W1A 2AZ by 13 April 1979.

**BRITISH GAS**

## Qualified Accountant or Finalist

West End c.£6,500

This is an attractive position in a rapidly expanding international group that has diversified commercial and industrial interests.

Working with the holding company's small accounting team, the successful applicant, male or female, will undertake a wide range of tasks including monitoring and advising group companies, and will also be involved in company secretarial duties.

Opportunities for promotion within the UK or in one of the Group's overseas subsidiaries are excellent. Please phone W. E. Harry, 01-629 8282 or send full career details to:

Saltrac (Holdings) Limited,  
Suite 15, 7th Floor, 140 Park Lane,  
London W1Y 4AD.

## Management Accountant Merchant Banking

Chase Manhattan Limited is the major unit of Chase Manhattan Bank's merchant banking group. Our principal products are loan syndications, bond issues, private placements and financial advisory services.

You will report to the Financial Controller, whose small team make up the Financial Management unit, providing high-quality management information. Progressively assuming responsibility for management information, financial planning and the financial control function, you will also provide full support in annual profit planning.

A graduate, preferably with a formal accounting qualification from a recognised body, you should have a broad

training in a variety of financial and management accounting systems, including EDP systems - ideally in development rather than usage. Banking or merchant banking experience would be a distinct advantage but is by no means essential.

We offer a salary in the region of £8,000 per annum, and the substantial benefits of a major international bank which include preferential mortgage and personal loan schemes, and non-contributory pension and life assurance.

Please write with full career details to:  
Janice Shiner, Chase  
Manhattan Bank NA,  
Woolgate House,  
Coleman Street,  
London EC2.



**CHASE**

This is a career development opportunity for a young person to join the rapidly expanding U.K. subsidiary of an international group. The company are leaders in marketing a range of technically advanced control equipment which is now being extended into energy conservation activities.

## Young Finance Manager

c.£6500 + Car

The present Finance Manager has been promoted to European Regional Controller and to replace himself he needs to appoint a young ambitious accountant to take full responsibility for the management and financial accounting activities of the U.K. company. There is a strong emphasis on commercial involvement and the person appointed will be closely concerned with providing effective capital financing advice to customers.

The position, open to both men and women, will appeal to a qualified accountant aged 25/27; previous commercial experience in an industrial environment would be a significant advantage although this may suit a well qualified person taking a first step out of the profession. Location is near Maidstone and relocation assistance will be given where appropriate. Fringe benefits are good and include a car as some U.K. travel is involved.

Brief but comprehensive career details should be sent quoting reference S/7825 to: New Appointments Group, Personnel & Selection Consultants, 5 Park Road, Sittingbourne, Kent. Tel: 0795 75431.

New Appointments Group

Personnel Consultants

**nag**

## YOUNG CHARTERED ACCOUNTANT

LONDON W.1

To £7,500 + benefits

This vacancy arises in the Head Office of a large U.K. manufacturing group which operates on an international basis. It provides an ideal opportunity for a recently qualified person with a good professional background to enter industry and obtain exposure to sophisticated group accounting procedures. He/she will be part of a finance team and be involved in wide ranging duties including the preparation and review of monthly management accounts and reports from computerised records, group budgets, cash management and the continuous updating of accounting standards. Occasional travel to the U.K. subsidiaries will be necessary. Benefits include subsidised lunches, free BUPA cover and generous staff discounts. Applications under Ref. No. RC100 to:



Extel Recruitment,  
Executive Selection Consultants,  
4 Bouverie Street, London, E.C.4. 01-353 5272.

## QUALIFIED ACCOUNTANT

c. £9,000

City-based firm involved tremendously in Stock Exchange activities seeks qualified ACA ACCA. Experience of Financial Accounting and Computerised Systems is essential. You will be second-in-command, dealing daily nationwide with brokers, jobbers, etc. This position could be classified "Trouble-shooter".

More information from Derek East, 01-437 9922  
PRIME APPOINTMENTS (all services)

## ROMFORD

A.C.A. — £6,000 p.a.

**WERE YOU** trained in a small but well organised general practice?  
**HAVE YOU** qualified within the past two years?  
**ARE YOU** seeking a post in which to extend and develop the skills required by a partner in a local practice?  
**DO YOU** live at present within easy reach of Central Romford?  
Then we have an ideal opportunity for you.  
Phone N. F. Stanley, Clemence Hear Cummings, on Romford 44121 for an appointment to discuss our future together.

### FINANCIAL ACCOUNTANT

EC4

£8,000+

An excellent opportunity with the major London subsidiary of an international trading group. You will have responsibility for the consolidation and development of the UK group's financial functions, and in addition will advise on reporting policies and assist in forward tax planning. Ideally you will be qualified, in your late 20s, and with experience gained in a Head Office capacity. For further information contact Keith Diver.

Personnel Resources Limited 01 248 6321  
Financial Appointments Hillgate House, Old Bailey, London EC4M 7HS

### FINANCE DIRECTOR DESIGNATE

Middlesex

c.£8,500+Car

A new appointment within a rapidly expanding supplier of specialised equipment for the international oil industry. Full responsibility now for all finance and accountancy services with major emphasis on product and contract cost control providing planned career development for an experienced cost accountant aged to 35.

Call Robert Miles on 01-248 6321.

Personnel Resources Limited 01 248 6321  
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## Financial Controller

Home Counties c.£7000 + car

One of the UK's largest food wholesaling organisations, Kearsley and Tonge/Alliance operates Cash and Carry outlets and a Direct Distribution network throughout the country.

As a result of the recent integration of the Alliance Group into Kearsley and Tonge (part of the British American Tobacco Organisation), a new role has been created of Financial Controller. He or she, will report to the Chief Accountant and, in essence, formulate and implement our entire integrated management information and control system. In addition to this basic brief, the Controller will have wide-ranging involvement in many other financial-related activities.

The broad scope of this key position demands a high degree of professionalism backed by a full qualification in Accountancy and at least three years' subsequent experience in a large scale commercial or industrial organisation. The personal qualities we seek include analytical, communication and leadership skills. Travel in the UK will be involved.

The successful candidate will be offered the opportunity to relocate to a most attractive area of the Home Counties. If not already resident within an acceptable distance, (The M1 and A41 are both very close to our offices).

In addition to the salary, negotiable around £7000 according to the applicant's qualifications and experience, the benefits include a company car, pension and life assurance schemes, shopping facilities at wholesale prices, and a very pleasant and modern working environment.

Please send a detailed C.V. or write for an application form to: Mr. Loren Wyatt, Selection and Development Manager, Kearsley and Tonge/Alliance Limited, Buckingham House, Buckingham Palace, Sunningdale, Middlesex HA7 4EE.

**K&T**

Kearsley & Tonge Limited

## CHIEF ACCOUNTANT

PERITON TRAVEL

£7,500

Periton Travel, a member of the Grand Metropolitan Group, has offices in Chelsea and the West End. The expansion of the Company's activities has resulted in the need to appoint a Chief Accountant, who will report directly to the Managing Director at the Chelsea office.

The successful applicant will be required to:—

- Maintain manually kept accounting records, including Bought and Sales Ledger.
- Produce monthly profit and loss accounts and the provision of various statistical returns for both the Group department and the shop and business house sections of the Company.
- Assist with the preparation of the budgets.
- Prepare pro-forma end of year accounts.
- Ensure proper compilation of various statutory returns.

The person we are seeking to appoint should be part or fully qualified, aged 30-45, with at

least 5 years' practical accounting experience. Preferably he/she should have worked in a travel operation. Although the current accounting system is manually kept, it is probable that the Company's expansion will lead to the computerisation of the accounting system and the Chief Accountant will be expected to play a major part in the implementation of any new systems and positively contribute to the development of the Company.

The benefits are first class and include a contributory Company pension scheme, concessional travel, 4 weeks annual holiday and a profit sharing bonus scheme. There are exceptional career prospects throughout the Grand Metropolitan Group.

Please send a detailed CV to:  
Andrew Clark,  
Recruitment Manager,  
Periton Travel,  
7 Stratford Place,  
London, W1A 4YU.

## YOUNG CHARTERED ACCOUNTANT

c. £7,250 + car W. London

Our client is a major International Company going through a further phase of expansion.

Due to internal promotion, we are currently recruiting a young qualified accountant who has gained excellent experience within the profession and now feels that a move into commerce would benefit a career progression.

The successful applicant will join a small H.O. team and be involved in a wide range of accounting activities covering group accounting, financial reporting, treasury and corporate restructuring. Coupled with an attractive salary, there are excellent prospects within this group. Please reply in strictest confidence to: David Clark F.C.A., quoting Ref. 1101.



**David Clark Associates**

4 New Bridge Street, London E.C.4  
Telephone: 01 353 1867

As their accountants we have been asked to find for our client, a garage group in South London, an

## ACCOUNTANT

suitably qualified by experience to control the accounting records (with a staff of ten) and to prepare therefrom management accounts, to identify and investigate problem areas and eventually to effect the computerisation of their records and develop the existing systems accordingly. Salary will be commensurate with experience/qualifications.

Please telephone 01-405 0324 for an application form.

## Mail severely disrupted by vages protest

NICK GARNETT, LABOUR STAFF

AL SERVICES in London and Home Counties, including services for business and industry, are being disrupted by postal workers' unofficial industrial action which is affecting mail throughout the country.

The action, over delays in pay negotiations, covers members of the Union of Office Workers, is causing delays in services to and from South-East. Mail from as well as is delayed as the capital is also seriously disrupted.

Post Office yesterday said to customers not to expect mail from London and the Home Counties unless it was essential. A business service which packages are given priority to try to ensure delivery, has been affected.

Rebate postage services, which customers receive cash discounts for, is being suspended further notice.

## Unions tell NUPE to call off hospital workers' dispute

ALAN PIKE, LABOUR CORRESPONDENT

National Union of Public Employees was outvoted by unions yesterday when it tried to reject the proposal to settle the hospital workers' dispute.

NUPE executive will now try to decide tomorrow whether to continue its action against hospitals—a move which has severe repercussions on the service—or join the other unions in accepting the offer.

PE was, as expected, outvoted 12-4 by the Transport General Workers, the General Municipal Workers, and the Confederation of Health Service Employees at yesterday's staff side negotiating meeting. Each union has votes.

Members of the other three unions told NUPE representatives that it would be pointless to continue with their industrial action. The union's executive meeting was to repeat this argument.

NUPE's executive meeting was to repeat this argument. The union's executive meeting was to repeat this argument.

Thursday the same four unions met to consider a proposal to 17,000 ambulance men. NUPE will probably vote again at this meeting.

Whether the executive decides to call off the ambulance dispute row.

Secure for the union to end ambulance men's action in

## Strike over lay-offs halts production at Shorts

OUR BELFAST CORRESPONDENT

RIKE involving more than 1,000 workers at Brothers, the Belfast aircraft manufacturer, has halted production at the main factory in

at the main factory in and at a smaller plant. Down ceased yesterday, as production workers in the missile factory have not

the stoppage. A strike was called after

as were laid off last week

## Pensioners' convention seeks rights declaration

ERIC SHORT

TUC, with trade unions pensioner associations, is holding the first National Pensioners' Convention in

on June 14. More than 2,000 delegates are expected at the convention, in

at Ealing, Westminster. A main aim will be to

to achieve that every pensioner has the right to a dignified, independent

and member of society. To achieve that, it seeks an adequate Government commitment to a pension level of not

more than a third of average earnings for a single person and half of average gross earnings for a married couple, eased at six-month intervals.

at least now mean a pensioner's weekly pension of £45.

ne declaration also calls for adequate accommodation for pensioners; big concessions on public transport; free telephone and telephones; adequate

The Post Office urged customers not to make bank posting while the industrial action continues. The substantial delays in the overall postal service is particularly affecting second class mail.

Staff in some London post offices have been refusing to work overtime and have been carrying out further industrial action, including holding mandatory union meetings, during working time. The action involves postal sorters, drivers and station staff and other delivery men.

The union has submitted a claim worth about 24 per cent. A settlement, to cover about 100,000 workers, was due in January.

The Post Office apologised to customers and said that although it was doing all it could to minimise disruption, severe delays had to be expected. It regretted the workers' action while pay negotiations were still taking place.

Customers are advised to contact local postmasters if further information is needed.

## Hull dockers' action ends after 13% with productivity agreed

BY OUR LABOUR STAFF

DOCKERS AT Hull yesterday ended their industrial action and accepted a pay deal thought to be worth about 13 per cent but with a sizeable productivity element.

Dock workers at many ports have now accepted deals worth a similar amount or less, some with productivity conditions.

About 2,000 Hull dockers rejected a recommendation from shop stewards to turn down the offer, which involves an increase in basic rates from £78 to £84 for a normal working week.

This accounts for 5 per cent of the package. The remainder is made up of extra money for starting work a quarter of an hour earlier on Mondays and Tuesdays, and improvements in overtime payments. The Hull employers had been insisting on some form of productivity deal to justify rises above 5 per cent.

After the vote, the dockers agreed to lift their overtime ban and stop the series of weekly one-day strikes.

A mass meeting of dockers at Grimsby and Immingham has

been called today in an attempt to end their nine-week strike which has seriously disrupted trade.

### Meeting today

The meeting has been called by the Transport and General Workers' Union to hear details of a revised pay offer from employers who have been refusing to move above 5 per cent.

The 550 dockers, who are seeking rises of 15 per cent, are understood to have been told by the chairman of the shop stewards committee to boycott the meeting.

## Walton jail back to normal

WALTON JAIL, Liverpool, is getting back to normal after last week's emergency. Prisoners were allowed half an hour outside exercise in small groups yesterday. Canteen and other facilities have been restored gradually.

## Lockout over after 7 weeks

A SEVEN-WEEK-LONG lockout involving more than 1,600 manual workers at GEC's Ruston Gas Turbines and Napier Turbochargers factories in Lincoln, ended yesterday when workers voted to accept a revised pay offer.

## Lucas 'plans no redundancies'

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

LUCAS ELECTRICAL reassured senior shop stewards in Birmingham yesterday that no redundancies are planned among the 30,000 workforce.

Management had given warnings at the time of the troubles in Iran and strikes in the UK motor industry that the com-

pany might have up to 3,000 surplus workers.

Natural wastage has accounted for 600 employees in recent years. Management explained yesterday that the position would be kept under review but that there were hopes that markets might be improving.

## Pit deputies sent to Coventry

A THOUSAND miners at Bentley Colliery, near Doncaster, sent colliery under-

officials to Coventry in protest at tighter discipline yesterday.

The men complain that their lives are made a misery by

arrogant and tough attitudes of pit deputies.

They say that they are being "fined" as much as £10 for petty "offences" that would normally be overlooked.

The deputies' union has so far refused to comment.

## Scottish bank pay deal likely this week

By Nick Garnett, Labour Staff

PAY NEGOTIATIONS for staff in the Scottish clearing banks which will set the tone for an eventual settlement for their English counterparts may be completed by the end of this week.

The National Union of Bank Employees has submitted claims in the Scottish banks for increases of more than 20 per cent in new money, together with consolidation of productivity payments and new salary structures.

Similar claims are being placed with the English clearing banks and form the basis of the union's negotiating position in the Trustee Savings Bank.

Bank staff associations, including Barclays, are now fixing their claims as well. The Association of Scientific, Technical and Managerial Staffs, which has members in the Midlands, is also drawing up its claim which will pay particular regard to the lowest paid groups.

A settlement for the Scottish banks, which will affect more than 20,000 workers, is due next month. Current pay ranges from £1,581 to £2,118 for the lowest clerical grade up to more than £11,000 for managers.

## NGA's power is 'frightening'—QC

FINANCIAL TIMES REPORTER

THE POWER of the National Graphical Association to black material was "very frightening in many respects," a QC said in the Court of Appeal yesterday. "If the union says that something is blacked, an employer of union members will not be able to get round it," said Mr. Simon Goldblatt, QC, for the union.

The NGA is involved in a legal action over the nationwide blacking of newspaper advertisements from organisations which have advertised in the Nottingham Evening Post, with which the union is in dispute over recognition.

Mr. Goldblatt told the appeal judges, headed by Lord Denning, Master of the Rolls: "We have managed to stop a lot of advertisements in the Nottingham Evening Post, but we have a long way to go before we can persuade a wholly intransigent and obdurate management to say 'we have had enough'."

### Pressure

"If we can dry up the major advertisers, we shall be making a large hole in the paper's finances and substantially increase the pressure on the management."

In an appeal expected to last several days, the NGA is

challenging a High Court judge's ruling last Friday granting newspapers and advertisers temporary injunctions against the blacking over the weekend and his refusal to adjourn in-junction proceedings until the full trial of the dispute.

The High Court proceedings were brought by six national newspaper groups, six provincial groups, and a number of advertisers. In some of the cases, SLADE the process workers' union, is also named as a defendant.

### Campaign

Mr. Goldblatt said the NGA had a recognition dispute with T. Bailey Forman and its companies, one of which published the Post. The union had made little progress in the past five or six years.

At the beginning of the year, it was decided to initiate a campaign to persuade advertisers not to use the Post. A number of advertisers agreed not to advertise in the Post, but 16 paid no attention and disregarded three letters from the union.

One advertiser, Boots, said it spent £2m nationally on advertising and insisted on its freedom to advertise in Nottingham. The hearing continues today.

# THE TELEPHONE AND TELEVISION CHANGED PEOPLE'S LIVES. THEY'RE ABOUT TO DO IT AGAIN.

This is probably the most astonishing message the Post Office has ever delivered. It's about a new service called Prestel. And it starts in London today.

So revolutionary is its technology, that the Germans and the Americans are clamouring to Britain for the know-how. What is Prestel?

Prestel is a computer information service that is used in your own home.

Shortly, it'll be available for use in offices, shops, libraries, factories and schools as well.

At the press of a second button, an index of the available information appears. (Just like the picture below.)

And that's when the fun really starts. Ask it a question.

You're now in contact with a store of information that numbers some 100,000 pages. More than 10,000 pages are being added monthly.

All provided by well-known organisations.

English Tourist Board, The Economist, Exchange & Mart, Fintel, The Good Food Guide, Guinness Book of Records, National Trust, Norwich Union, W.H. Smith, the Sports Council, Vernons Sportsdata, British Rail and the Stock Exchange to name but a few.

News, sports results and fixtures, weather checks, traffic information, entertainment guides, holiday information and games are all at your fingertips.

As are train, boat and plane timetables.

You simply ask the computer questions by pressing the number on your keypad relating to the information you want.

Then up pops the answer on your TV screen.

It'll take you literally minutes to learn how to use it. And then you'll be able to get the information you want in seconds.

You can use the information a million different ways.

Say you wanted to buy a washing machine. You could use Prestel to get information from Which? magazine on which model is the best buy.



This is how it works.

You buy or rent a special Prestel television from your local TV showroom.

We then connect the television to your telephone.

Each television comes with a small remote control, rather like a pocket calculator. (We call it a keypad.)

On it, you'll find a series of numbered buttons. By pressing one of the buttons, you contact the central computer via your telephone line.

Prestel then announces itself by greeting you personally on your television screen.

Then by switching to the information provided by Currys or Comet, you could find out if they stock the model and what their price is.

You could plan a whole day out for the family too. What's on where, what the weather's going to be like, how to travel there and what restaurants to eat in once you've got there.

All without leaving the armchair. How much does it cost?

Needless to say, a Prestel set is more expensive than an ordinary TV.

But beyond the initial outlay, you pay for the service only when you use it.

And that's the cost of a local telephone call, plus a small usage charge and the cost of the piece of information on the screen.

That varies from nothing to several pence per page.

Any time you want to know your exact bill to date, there's a page that'll give you that up to the minute information as well.

'Up to the minute' is the key phrase in fact. Because unlike the guides you buy in book form that quickly date, Prestel can provide the very latest information.

When can I have it?

As we said earlier, the Post Office is offering the Prestel service to residential customers throughout London from today.

This is a preview of the full public service which later in 1979 will first be extended to business users and then on to Birmingham, Manchester and Edinburgh.

The rest of the country will get it over the next few years.

For a list of the selected showrooms where you can see Prestel demonstrated, please send the coupon below (no stamp needed) or dial 100 and ask the operator for Freefone 2043.

Then we can tell you more about the biggest breakthrough in communication since the telephone and television.

W.B. Morley, Prestel Marketing  
Freeport, Cambridge CB2 1BR.

I want to know more about Prestel.

Name \_\_\_\_\_

Address \_\_\_\_\_

Postcode \_\_\_\_\_

**PRESTEL**

The Post Office Viewdata Service.

# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## METALWORKING

### Big laser welds half an inch

PROBABLY the most powerful industrial laser to become commercially available on this side of the Atlantic, a six kilowatt carbon dioxide axial flow type developed by the Welding Institute is to be made and marketed by BOC Industrial Power Beams of Davenport (03273 4813).

The development marks another step in the upward trend of power in these continuous wave power (CW) devices. CW power in the U.S. is believed to have reached 35 kW, and it is known that very much greater levels are being achieved in pulsed military devices.

Using axial gas flow rather than the U.S. cross-flow technique results in a longer laser but has the advantage that a cleaner mode is produced together with the ability to focus finely. The new 6 kW unit can produce a spot of less than 0.5 mm diameter (0.02 in) which means that it can make narrow, deep penetration welds while causing minimum work-piece distortion.

The welds are similar to those produced by electron beam welding—but there is no need

to operate in vacuum. Of particular interest is the ability to produce welds in far thicker steel than previously, or alternatively to weld thinner materials at much higher speeds. Tests have shown that the equipment can weld mild steel to a depth of 12 mm (0.47 in); aluminium or titanium alloys and stainless steel can be welded to a depth of 10 mm (0.39 in).

When used for cutting, the 6 kW device can deal with metals to a thickness of 20 mm (0.79 in) and can also cut wood, chipboard, acrylics and asbestos.

Further industrial applications will include selective transformation hardening of steel and cast iron component surfaces, and the fusing of metal powders to form hard coatings on substrates of a softer metal. The component distortion produced by this method is less than that caused by induction hardening, and subsequent machining times for precision parts is reduced or eliminated.

Price is expected to be in the region of £160,000.

### Makes deep holes fast

DEVELOPED BY TI Brookes, Brades Road, Oldbury, Warley, West Midlands B69 2DL (021-553 5311), a new design of deep hole boring machine is intended to make best use of the well-established Sandvik ejector drill system.

The Sandvik tool gets over one of the prime problems of deep hole boring—the removal of swarf—by using a pumped cutting fluid system in an annular head construction which literally sucks the chips of metal out down the middle tube. The TI Brookes machine has speeds, feeds and torque which are designed to produce the best results possible from the tool.

Feed mechanism is a rack and pinion driven by a dc motor through a reduction gearbox. Feed rate is infinitely variable up to 0.36 mm per revolution and there is a fast traverse facility of 105 mm/sec. Thrust available at the tool is 3.175 kg. A 45 kW dc motor drives the main spindle at any speed between 180 and 420 rev/min.

To ensure an accurate speed to feed ratio, the two are electrically linked.

## PROCESSES

### Shot blast guidance

ACCORDING TO Power Blast, Collingwood Lodge, Camberley, Surrey GU15 1LB (0276 28888), it is possible for any company with practical engineering knowledge to install its own shot-blast room or convert an existing building, using equipment it can supply.

Anyone interested can seek to prove the point by asking the company for a copy of its booklet "The Power Blast Room System" which in 10 sections covers aspects ranging from blast machines and grit recovery to lighting and operator protection.

## AVIATION

### World lead for helicopter trainer

REDIFON Simulation has broken new ground in flight training with the design and production of two Sikorsky S61-N helicopter simulators.

Built for British Airways Helicopters and Helicopter Service A/S of Norway, they are the first flight simulators in the world designed specifically for training pilots in commercial helicopter operations. Redifon declares, Installation No. 1 at BAH training operations building, Dyce Airport, Aberdeen, has recently gained CAA certification for both instrument and visual training.

Helicopter Service equipment is in the final stages of installation at Forus Airport, Stavanger, prior to certification by the Norwegian Aviation Authority.

Both simulators will be used

to train pilots in the testing operating conditions experienced serving the North Sea Oil industry, in gaining CAA approval for instrument checks and alternate visual checks.

Redifon has effectively overcome the problems of perception associated with low altitude visual flying. This is significant in that it is the first time a computer-generated image (CGI) visual system, in this case Redifon's Novoview SP1, has successfully addressed an application where fine height adjustments are a critical aspect of helicopter pilot training. It means in practical terms that the major part of pilot training can now take place in the simulator, thereby reducing training time in the aircraft.

Helicopter Service anticipates that when its equipment is

certified, pilots will undergo six monthly instrument and visual periodic flight checks. It will also use the simulator for new pilot type training and command course training.

Physically, the equipment has a six degrees of freedom hydraulic motion system designed by Redifon for application to helicopters. The flight deck is an exact replica of the real aircraft, and out-of-the-window scenes are produced by the Novoview SP1 night/dusk CGI visual system. This allows over 6,000 light points and up to 200 shaded surfaces to provide airport scenes which include horizon, stars, surface markings, buildings, terrain and aircraft landing lights. It is also the first CGI visual system to include a facsimile oil platform model.

Training exercises are controlled and monitored from an on-board instructor station. All simulator functions are coordinated by a computer which interfaces with the pilots through a control loading system. It is this system which effectively provides the pilot with the "feel" of flying the aircraft and on the S61-N simulator it employs the aircraft hydraulic unit. Flight deck realism is ensured with full sound and vibration simulation.

Redifon Simulation's order book stands currently at £50m of which over 80 per cent will go to export markets. It is Europe's largest manufacturer in this area.

Redifon Simulation, Gatwick Road, Crawley, Sussex RH10 2RL 0283 28311.

## INSTRUMENTS

### Fluid level detector

A LIQUID level detector working on the electrical capacitance principle, specifically designed for vehicle applications, has been introduced into the UK by Robertshaw Skill of Greenhey Place, East Gillibrands, Skelmersdale WN9 9SB (0695 23671).

Known as the Mini Tek, it has no moving parts and the electronic circuits are fully encapsulated to withstand shock, vibration and moisture. Only three electrical connections have to be made, one of which is a test connection which allows the unit to be checked by means of a momentary switch closure which simulates an abnormal liquid level.

The device has transient over-voltage protection and output switch protection allowing inductive loads such as solenoids and relays to be driven.

Two basic types are supplied: the 613 is for coolant level detection, the 614 for use with oils and fuels.

### Big view of small work

INDUSTRIAL magnifiers with a magnification of 1.5 times and a large enough lens to permit simultaneous viewing with both eyes have been put on the market by Combined Optical Industries, 200 Bath Road, Slough, SL1 4DW (Slough 21282).

Mounted in the lightweight head is a 165 x 104 mm lens moulded in high quality acrylic

material which is shatterproof and half the weight of the equivalent glass. The design is aspherical, giving a distortion-free image over the viewing area.

Also mounted in the head are a pair of four watt mains driven strip lights with starting gear, starter control and on-off switch. The circuits meet BEAB requirements and the illumination and lens are in accordance with BS 5168: 1974. Various stands can be supplied.

### Ultrasound finds level

DIFFICULTY CAN be experienced, particularly on oil and gas rigs, in determining the level of liquid gas in spheres and cylinders of fire protection systems because weighing can only be carried out after dismantling pipework or structures.

Metal and Pipeline Endurance (MAPEL) of Taylors Road, Stotfold, Hitchin, Herts SG5 4AG (0462 733035) has solved the problem by making use of a purpose-built ultrasonic flaw detector with a transducer that the operator moves over the wall of the vessel to obtain a cathode ray tube indication of the location of the liquid/vapour interface. Knowing the level, the volume and weight of the liquid is soon calculated from tables.

The operation only takes a few minutes per cylinder. Furthermore, there is no need to disconnect or remove the vessels, retaining full fire protection.

Of interest is the fact that MAPEL recently tested 200 spheres on Thistle Alpha, of which six were found to have a low level; one was empty.

## ELECTRONICS

### Easier filling of road tankers

OVER THE years the train of devices needed at oil product distribution depots to accurately meter the fluids into road tankers has grown piecemeal as each new demand was met, entailing the addition of items such as temperature correctors, additive controllers and net counters, all driven mechanically from the original positive displacement or turbine pump.

Using modern electronics, Brooks Instruments, Offerton Industrial Estate, Hampshaw Lane, Stockport SK2 5TT (061-480 9614) has condensed all the requirements into a pair of tamperproof boxes (three including an optional ticket printer) providing a system that is both tamper-proof and easy to read and use.

The driver selects the volume to be delivered by pressing each of four decade buttons until the corresponding decade on the display shows the required number.

After pressing the start button this "pre-set" display will start to count down as product is pumped while an associated "delivered" display increments upwards.

Use of a microprocessor means that all the variables can be easily programmed using simple, sealed switches; parameters such as meter factor and product coefficient of expansion are entered in a few seconds, the latter being used in conjunction with automatic digital correction of the flowmeter pulse signal to give displayed volumetric units at 60 deg F. (Product tempera-

## MATERIALS

### Cladding board from Sweden

DESIGNED TO replace asbestos based materials for Class O wall cladding is a non-combustible board from Vermit in Sweden, now available in the UK from Phoenix Panel Fabrications, Phoenix House, New Road, Rainham, Essex.

Based on the mineral vermiculite and inorganic binding media it does not give rise to silicosis, says the maker, or create any health hazard.

Applications include cladding of walls and ceilings, fire-proof doors and floors, and fire protection of equipment and structural elements.

# Lovell

for construction  
01-9951313

## COMPUTING

### Modelling no problem

A COMPLETE service which enables economists to construct and run financial economic models on a computer—without the need for computer programming experience—is offered by Scicon Computer Services of Milton Keynes.

Developed by the Economics Department of Southampton University, HASH can assist in the development of both small and large econometric models. Economists can use HASH on a one-off basis through Milton Keynes or computer terminals in Scicon offices throughout the UK.

To build an econometric model, the economist is confronted with a multitude of hurdles. Data must be collected, manipulated and transformed. Equations must be estimated and subjected to analysis. Simulation presents further computing problems. HASH simplifies all these.

Scicon Computer Services, Brick Close, Fila Farm, Milton Keynes, MK11 3EJ. 0908 565656.

## PRINTING

### Rotary costs less

DESIGNED AND built in the UK is a metric rotary letterpress multi-colour label printing machine, called Windsor, introduced by Carlisle Bros. Machines (Long Eaton), Acton Grove, Long Eaton, Nottingham, NG10 1FY (06076 5748).

The machine can print up to five colours, including one colour on the reverse side of a material.

Said to provide advantageous facilities for die and built cutting and slitting it can produce a wide variety of labelling products, from the smallest type to large size printed labels (150mm wide with a repeat print length of 510mm) on a range of substrates, including most forms of natural and synthetic garment and bedding fabrics, ribbons and tapes.

### Keynote is greater flexibility

SENSITOUCH describes a range of membrane keyboards just introduced by Bowmar in Europe.

They have a flat membrane overlay, and thus provide wipe-clean, spill and puncture-resistant surfaces, making them ideal for use in all environments, from the supermarket to the laboratory, whilst at the same time retaining the touch-sensitivity and reliability of more conventional systems.

The new keyboards, which are manufactured by Bowmar at its Fort Wayne plant in Indiana, can be custom-built

and are compatible with existing keyboard systems. Where it is necessary to define specifications for particular customer applications, Bowmar's own staff can assist on all aspects of design from membrane actuation force to electrical parameters.

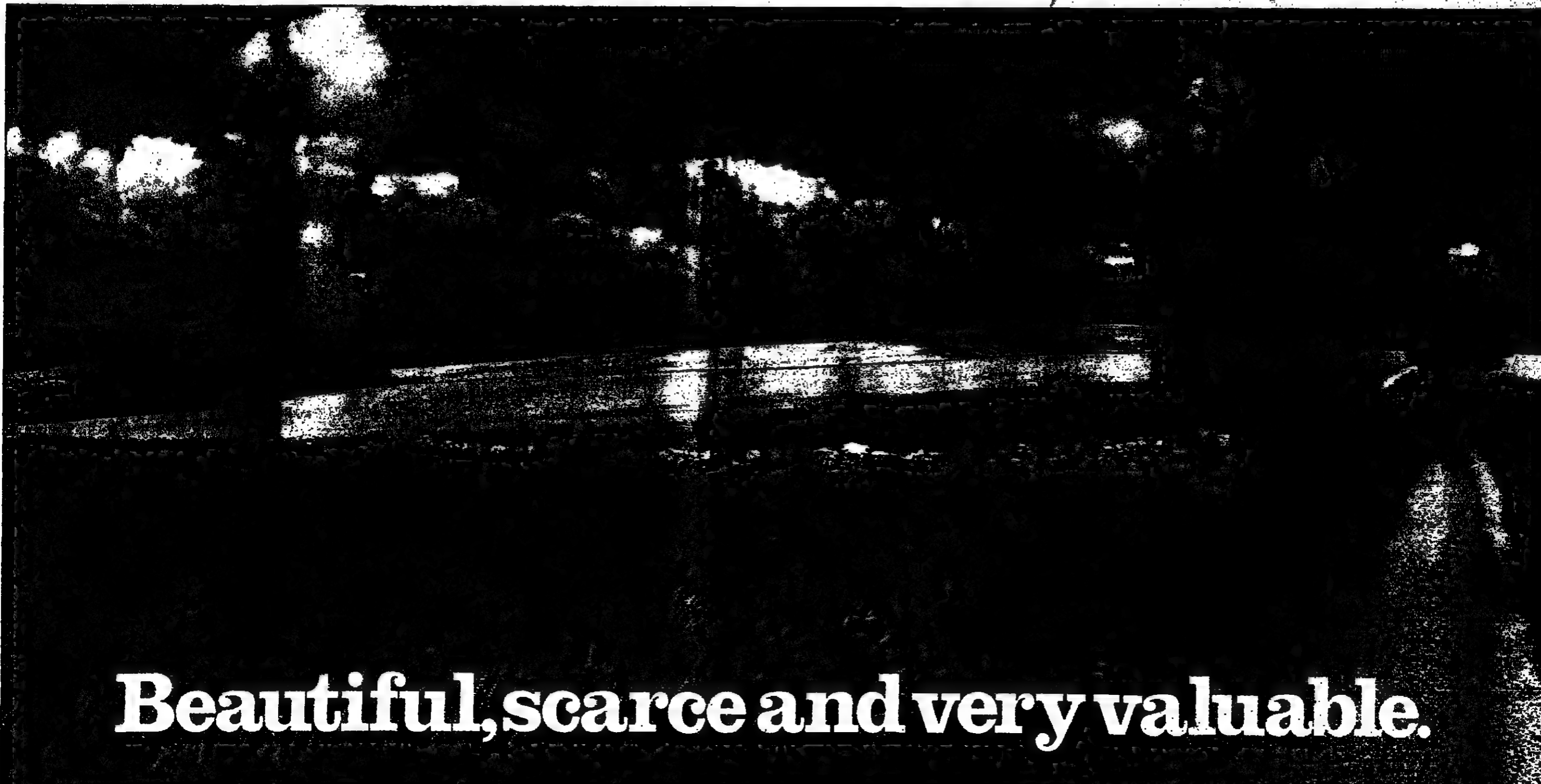
Sensitouch is based on the interplay between upper and lower switch surfaces. These are normally separated by a perforated polyester film, but when the keyboard's surface membrane is touched, the upper switch deforms through the separator layer to make

contact with the lower surface and so activates the system, which is constructed so that it is not possible to activate more than one key at a time.

The upper surface of the keyboard has been designed to incorporate multi-colour graphics, through-panel lighting and LED's as available options.

Actuating force runs from 2 oz-10 oz; contact bounce is 5 milliseconds maximum; contact resistance 5 ohms and minimum life 10m actuations.

Bowmar Instruments, 43, High Street, Weybridge, Surrey TW20 1JH.



# Beautiful, scarce and very valuable.

In many ways the countryside of these islands is taken for granted. The rolling Cotswolds, the dramatic landscape of the Highlands, the hedgerows, moors, forest and farmlands are there for us to see whenever we please.

Yet the countryside is also an industry. Indeed, much of its appearance has been dictated by the demands for food production, from the enclosures of the middle ages, to the mechanised efficiency of the modern farmlands. It's an industry that is both technologically very sophisticated and, nonetheless, still relies on a down-to-earth feel for the land.

British agriculture is amongst the most efficient in the world. Savills involvement in it is as wholehearted as it is complete. We understand why land in certain parts of the Scottish lowlands costs so much more than some land in the Home Counties. We know what will be a good investment for some, whilst being a poor investment for others. We can advise on how best to dispose of an agricultural property as well as why a property should or should not be acquired. We manage estates. Most of all, we have a fundamental appreciation of land and those concerned with it.

Savills London Office and our network of countrywide offices can offer the same degree of professionalism in all areas of property. We have divisions specialising in all aspects of Agriculture, Residential, Commercial and Industrial property in the UK and Western Europe.

A brochure describing the services offered by Savills called 'All you need to know about property' is available by telephoning Jeremy Wilson or George Inge on 01-499 8644, who can also discuss your interest in agriculture.

# SAVILLS

ALL YOU NEED TO KNOW ABOUT PROPERTY

20 Grosvenor Hill, Berkeley Square, London W1X 0HQ.

With other offices at: Banbury, Beccles, Chelmsford, Chichester, Clonmel, Fakenham, Hereford, Lincoln, Norwich, Salisbury, Weybridge and Associated Offices in Scotland, European Offices in Amsterdam and Paris.

## IE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

wood-carving be training for a machine worker? Does sculpting in metal enable an apprentice to achieve spiritual balance? Does marketing of homemade clocks prepare a would-be for real life competi-

are the questions not by ivory tower gues, but by the pros responsible for the of new workers in high-German companies like r-Benz, Mannesman, and Voith. The underlying is: what role does play in business train-

Darrell Delamaide reports on a collection of German studies which show how 'creativity' can help in employee training programmes

## Using sculpture to mould the perfect worker

lection of studies on the : has just been published Institute der Deutschen naft, a business-amiated group. Three contribu-tempt to assess the pros of case studies in in-where a conscious t to foster creativity has ade. tivity, the editor concedes reward. Is a vague con-ly misunderstood by aded businessmen. The hrust of these studies is eativity, the capability to p new solutions to prob-ising from unexpected cas, is an important 'for workers on all levels. larly, creativity as part : overall training pro-ue induces greater com-nt on the part of the : enhances the self-ence of the trainee while-aging a spirit of team-

work, and allows for the absorp- tion of "effective" learning, so that: training does not become too cerebral or mechanical (head, hand and heart is the ideal). At least, this is the claim of the authors of these studies.

There are two main approaches to introducing creative activity into a training programme — the "direct" method of simulating a problem for the trainees and giving them free rein to solve it; or the "indirect" method of providing instruction in crafts totally unrelated to the work at hand. A middle way, using industrial skills to achieve aesthetic ends, is also described.

Wolfgang Fix, training director for the mechanical engineering firm Zahnradfabrik Friedrichshafen on Lake Constance, describes the "practice company" used to train com-

mercial employees since 1975. Twelve trainees spend one afternoon a week at the mock company, which is not completely simulated but produces real products, sells to real people and reckons its accounts in real money.

The trainees start from scratch and devise for themselves the whole gamut of management processes: organisation plan, market research and product development, pricing, start-up planning, development of production methods, advertising, production, factoring, delivery and drawing up the balance sheet.

The main criterion for products is that they fit in with the training goals of the programme. So the products have been tools like drill stands and hand pumps as well as gifts and household items like wall clocks, four scales, portable grills and even a tailor-made

handcart. The market is the company's own workforce, and orders were taken during a week-long exhibition in the company canteen.

This programme is an extension of the simulation programme used by Daimler-Benz for its manufacturing employees. Trainees are divided into teams and instructed to build a steam-powered machine. The chemical giant Bayer has developed a practice company, Miraculix AG which, like that of ZF, is also for commercial employees.

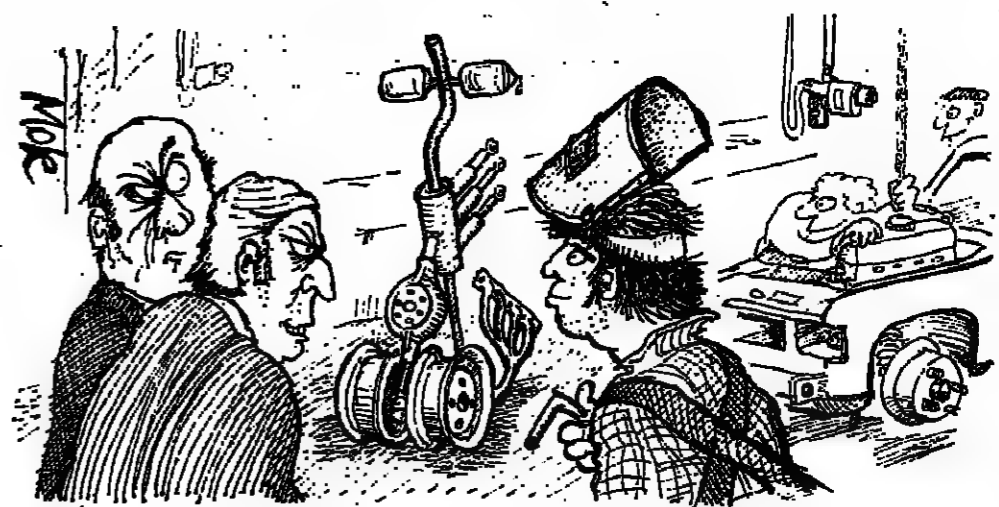
Karlutz Saum, training director of J. M. Voith GmbH in Heidenheim (between Stuttgart and Augsburg), describes the arts programme used at the engineering company since 1953. The youthful trainees (Germans have often begun professional training at a company by the age of 15) spend 90 minutes a week going

through a course of arts and crafts including wood sculpting, clay modelling, black-and-white drawing and painting in water-colours.

Voith's 350 trainees are divided into groups of 15 or 20 for the art classes. For those sceptics who think that such an addition to the training programme would be too costly in time and money, Saum points out that the art instruction represents only 1.7 per cent of overall training time and only 0.3 per cent of total cost.

What are the gains of such instruction? Saum lists seven qualities, from the sharpening of powers of observation to self-realisation of the individual. Similar art instruction is provided by other companies in the area, as well as by Babcock-BSH AG in Krefeld.

In the final study, Reinhard Zedler, training specialist on



Look here guy, as an artist, that's how I actually see the car

the Institute staff, describes a middle way used by Mannesmannröhren-Werke AG, Düsseldorf, and the Württembergische Metallwarenfabrik (WMF) in Geislingen/Steige (near Stuttgart).

When in 1971 Hermann-Josef Baum, an artist, produced a relief for the Mannesmann unit made of pipes, the trainees who assisted with the project were so enthusiastic that the project was adopted as company policy. Since then, first- and second-year trainees may spend four hours a week working on artistic projects utilising scrap materials and the tools of their trade. Some of the works produced in this programme are being displayed at the Didakt educational fair in Düsseldorf

this month (March 27).

Baum had a similar experience at WMF: with the result that twice a year WMF trainees have the opportunity to spend two weeks full-time working on sculptures made from scraps of stainless steel.

All the authors of the studies are at pains to provide theoretical justification for these programmes and cite a wide range of literature, both American and German. In the end, as they admit, the benefits of these efforts are difficult to quantify and the appraisal remains subjective. Still, the studies offer enough detail to form a basis of discussion not only for other German companies, but for European firms in general.

Two questions not covered in the studies but arising from its treatment are: Is the normal educational system of the country so sterile that young people get their first creative training as a professional apprentice? Will the scope for creativity end after the three-year training period, or will new methods of work organisation allow sufficiently for individual inventiveness?

Fix, Saum, Zedler, "Kreativität: Neue Wege in der betrieblichen Bildung," (in German), Beiträge zur Gesellschafts- und Bildungspolitik 33/36, Deutscher Institut-Verlag GmbH, Postfach 51 06 70, 5000 Köln 51. Price: DM 15.80.

WEST detente is a highly jous mixture of con- and co-operation which as on several levels at the time and is open to almost : varieties of interpreta-

les Levinson, a fast- Canadian who spends of his time running an ational trades union in a, believes in the con- theory of world events. s latest book, "Vodka- he has applied this to sory and practice of East-

is a Manichean vision of on between the elites of nd West whereby a tight- group of transnational- tion bosses, international- g tycoons and their- ed trusts, think-tanks and les conspire to consolidate power and wealth through- e and highly profitable- with their equally self- g and cynical counterparts- East.



A glance at the index shows the bogeymen—people like Gianni Agnelli of Fiat, the Rockefellers and the Fords in the West, and men like Leonid Brezhnev or Gherman Gvishiani who represent the party and managerial elite which holds the strings in the Communist world. Mr. Levinson's principal thesis is that collusion between

## The 'unhealthy' cocktail of East-West trade

BY ANTHONY ROBINSON

the power elites of both sides makes a mockery of democracy. East-West trade and finance under these conditions is an unhealthy cocktail—Vodka-Cola.

The Vodka element is access to cheap and docile labour. By transferring production to the East, the multinationals and other Western companies are able to make huge profits and obtain cheap, reliable supplies. This also puts pressure on their unionised Western plants, leading to unemployment, dumping and pressure on wages.

As for the Cola, this is the sweetly effervescent flow of high technology and capital to Communist regimes. It allows the elite to continue to enjoy the privileges of an

authoritarian system, and rides them of the need to entertain liberalising reforms.

Few would argue with the proposition that the injection of Western capital and technology has given a significant impulse to the modernisation of Communist economies. But it is highly debatable whether this process has given Western capitalists vast profits by giving them access to cheap labour.

Mr. Levinson calculates that real wages in the East are 10 to 20 times lower than in the West. Living standards certainly are lower in Eastern Europe but wages are nowhere as low as Mr. Levinson estimates. Furthermore the macro-economic and structural inefficiencies of most Communist economies ensure that productivity, even on sophisticated Western equipment is generally much lower than in the West.

Even if wages were that low it is inconceivable that the resultant profits would be allowed to pass to Western capitalists. On the contrary, the professional negotiators who deal with western companies are past masters in the art of playing one competitor off against another. They drive a

hard bargain both in terms of price and the sort of compensation and buy-back arrangements which are often linked to purchases.

Marketing such products profitably frequently demands all the ingenuity and access to world-wide markets which the multinationals and other companies possess.

Nevertheless, East-West trade has certainly developed into big business in recent years. Mr. Levinson's vision is that of capitalist hyena and Communist fox happily arranging cynical global deals with blithe disregard for the politics and propaganda of ideological dispute.

Having been strafed by Nazi bombers made by the German subsidiary of General Motors during the last war, Mr. Levinson holds out the prospect of similar possibilities in any future conflict. He also relishes the irony of transnationals like ITT simultaneously helping to bring down President Allende in Chile and negotiating major deals with the Soviet Union. His account of the way in which Italian and international big business set out to ensure its survival in the event of the

Communist party coming to power in Italy—a process he describes as the Vodka-Espresso operation—also makes interesting reading.

Few people would deny that business corporations, banks and institutions wield real power, are in a position to influence politics and politicians and indeed carry out their own foreign policies. What is good for General Motors is not necessarily good for the rest of us and Mr. Levinson devotes much of his book to criticism of the transnational corporations in general.

Most of it has been said before and Mr. Levinson adds little that is new. But by concentrating on the extent and nature of East-West economic co-operation Mr. Levinson has raised some important issues which have not been fully debated.

The conventional wisdom has it that East-West trade is mutually beneficial. On an individual company or corporation level Communist contracts have helped many an enterprise to keep production up at a time of recession in the West. Jobs and profits have been assured. Banks have also been glad to lend their surplus dollars to



Communist borrowers with a so-far virtually untarnished repayment record.

On the other hand Western credits and technology have helped to modernise both the civil and military components of Communist economies, and have tidied them over gross failures in their agricultural systems.

But if one takes a longer view it can be argued, as Levinson does, that this kind of economic and financial co-operation has permitted the continuation of what is essentially an unsatisfactory status quo. If the East had not had access to Western capital, products and markets, the Communist regimes might well have had to undertake fundamental reforms of their system—which could have had a liberalising effect on their societies. Instead, increased

trade has been accompanied by a tightening up of internal discipline.

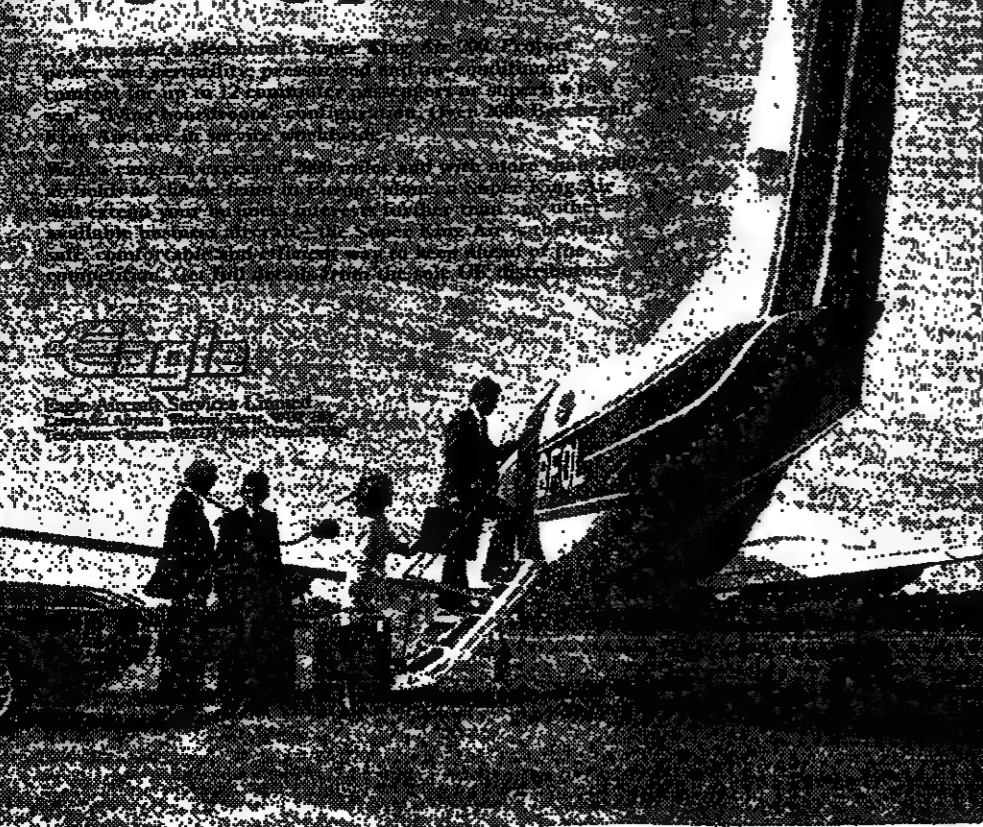
Far from being agents of genuine detente and increased mutual understanding, Western businessmen have sometimes lent their weight to Soviet calls to keep politics out of business and not let considerations of human rights or democracy enter into political calculations.

Furthermore, Levinson argues, the Western plants set up with Western capital in the Communist blocs are now coming on stream and threatening the jobs of workers in the West, as low price chemicals, tyres and other products come onto Western markets through compensation deals and other arrangements. Far from strengthening the West, this holds out the promise of greater social instability, protectionism and division.

One suspects that we are going to hear much more of this argument in future. But if Levinson's view of the world is correct the pressure of bankers anxious to avoid default, and business men seeking markets and access to raw materials, is likely to keep East-West trade on a business-as-usual basis for the foreseeable future. Pass the Vodka, comrades, thanks for the Cola, comrades.

Vodka Cola by Charles Levinson, Gordon and Cremonesi, £7.90.

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## Business courses

### APRIL

International Taxation, Vienna, Austria, April 18-20. Details from The Registrar, Management Centre Europe, avenue des Arts 4, B-1040 Brussels, Belgium.

Trans-national Data—the impact of new technology and legislation, Brussels, April 24-26. Details from European Study Conferences, Kirby House, High Street East, Uppingham, Rutland, Leicestershire LE15 9PY.

Purchasing for the Smaller Company, Bristol, April 23-24. Fee: £100. Details from Purchasing Economics, Pel House, 35 Station Square, Petts Wood, Kent BR5 1LZ.

Association of Teachers of Management '79 Annual Conference, "Educating and Training the International Manager," Cambridge, April 24. Fees: members £90 plus VAT, non-members £110 plus VAT. Please telephone 01-486 5811 x 259, or write to ATM, Polytechnic of Central London, 35 Marylebone Road, London NW1 5LS.

Service Agreements (Drafting, Termination and Tax), Leeds, April 10. Fee: £23. Details from: The Registrar of Continuing Education, The College of Law, Brabouf Manor, St. Catherine's, Guildford GU3 1HA, Surrey.

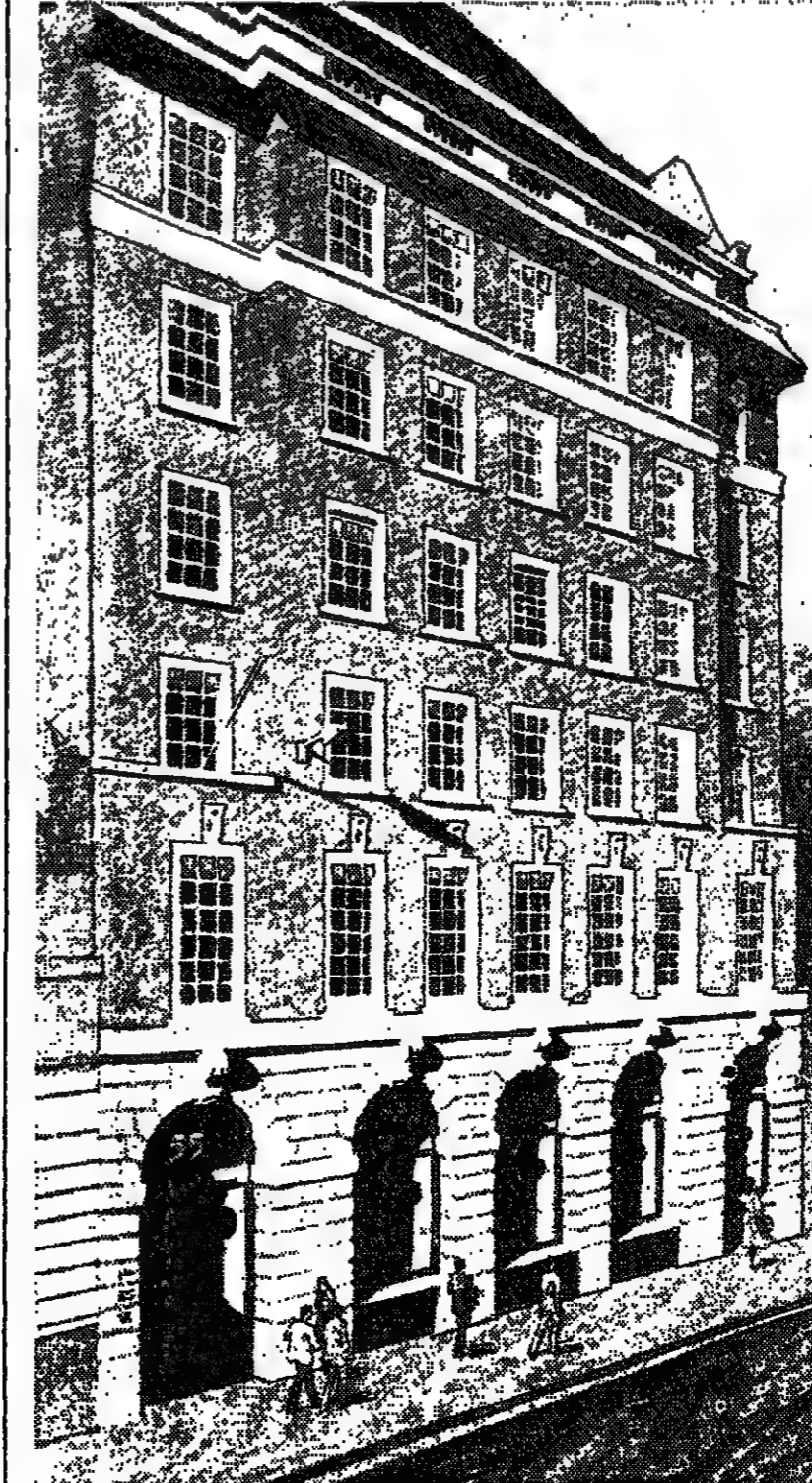
International Employee Benefits Conference, New York, April 25-27. Fee: \$495. Details from Program Manager, The World Trade Institute, One World Trade Center, 55W, New York, NY 10048, US. Telephone (212) 466-3175.

### MAY

Developing Skills in Problem Solving, Henley-on-Thames, May 20-25. Fee: £360 inclusive. Details from The Registrar, Administrative Staff College, Greenlands, Henley-on-Thames, Oxon RG9 3AU.

Supervising Maintenance Work, Slough, May 1-3. Fee: £165 inclusive. Details from Management in Action, 121 St. James's Drive, London SW17 7RP.

Thirteenth London Personnel Management Conference, London, May 1-3. Fee: £180. Details from Conference Administrator, Institute of Personnel Management, Registered Office, Central House, Upper Woburn Place, London WC1H 0EX.



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## FINANCIAL TIMES

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Tuesday March 27 1979

## Wearing belt and braces

THE POSTPONEMENT until May 8 of the call due later this week of the first tranche of banking special deposits is at first glance a puzzling development. On the one hand, the authorities have been funding aggressively, to such effect that this and other actions have been necessary to ease what would otherwise be an acute shortage of liquidity. On the other hand, unusual steps have been taken to resist any fall in interest rates which might naturally result from this assistance. It looks rather like driving on the accelerator and the brake at the same time.

In fact on closer inspection it is more a matter of belt and braces. Looking backwards, the authorities see a possibly disturbing rise in bank lending during February; looking forwards, they see the problems that might be posed by a budget influenced by electoral considerations, or the policy pause following a vote of no confidence. Funding that will finance the borrowing requirement until June may in these circumstances be the prudent minimum rather than any sign of severity, and it may well be felt that to allow the market to become over-impressed with its recent purchases of stock will simply lead to difficulties in the next stage. Meanwhile, further evidence is needed before the rise in bank lending can be fully explained.

## Cautious view

This is the cautious view: the question is whether it is simply responsible management, or perhaps hyper-caution. There are two clear reasons for questioning the present approach. First, it is always somewhat suspicious when the Bank finds it necessary to take special action to resist a market move in interest rates at a time when the funding of the borrowing requirement—the fundamental means of controlling the money supply—is going well. A monetary target implies a willingness to give priority to monetary control even if it means large swings in interest rates to achieve it. The Bank has proved willing over recent years to raise rates as high as may be necessary to achieve its policies, but sometimes reluctant to let them fall again when the rise has done its job. Policy appears to swing between stable monetary growth and stable interest rates, and whenever this happens there is an a priori case for questioning policy.

If the February banking figures suggested some sea-change in the private credit market, an interval of pre-

cautionary tightness would be justified; for if private credit demand had in fact exploded, the funding requirement would itself have to be reassessed. However, it is a little far-fetched to interpret the February figures, which caused hardly a ripple in the markets, in this way.

## Trade disruption

The rise in bank lending almost certainly reflects the disruption of trade, especially international trade, during the transport strike. Goods held up in the docks had to be financed, and the nature of the lending—a sharp rise in commercial bills—seems to confirm this interpretation. The growth of the money supply itself—slow during the first half of last year, but rapid since October—seems to reflect known faults in seasonal adjustment of tax reserve certificates as much as any real change.

Indeed, if monetary considerations were the only ones, it could be argued that some what lower interest rates would actually assist control. High rates tend to attract inflows, and although these flows have been checked by official action to reduce overnight rates while raising one- and three-month rates, and by allowing the exchange rate to rise, policy is at the least flirting with a familiar dilemma.

Potential worries about fiscal policy may be better justified. When control over public sector pay has been partly surrendered to the academics, and the Price Commission seems free to block the achievement of nationalised industry targets, then the operation of cash limits may come under large and unpredictable strain, and it may prove difficult to trust projections of the borrowing requirement. A change of government might mean less doubt, but would entail more delay. All this argues for caution.

## Matter of habit

However, the link between doubts about the Budget and the need to keep interest rates high now is not a matter of logic, but of habit. It arises from the British system of funding, or fair-weather monetary control. As long as large funds can only be raised when interest rates are thought likely to fall, policy will be biased towards hyper-caution. A ship which cannot turn its sails when the wind gets up can never take safe advantage of fair weather; but that is an argument not for hyper-caution, but for further modification to the rigging.

## When clemency makes sense

THERE SHOULD be no doubt in the mind of General Zia ul-Haq, the President of Pakistan, as to what is now the correct decision to take over Mr Bhutto. The Supreme Court judges that heard his appeal against the death sentence were divided 4-3 in their judgment with the minority in favour of his acquittal. The main evidence against Mr Bhutto comes from one of his former officials who has turned State's evidence to secure his own acquittal. The charge against him is conspiracy to murder rather than murder itself. In its final review of the legal technicalities, the Supreme Court deliberately opened the door to an act of mercy by General Zia.

## Political

Irrespective of the legal rights and wrongs of the case, General Zia must be aware that his decision is fundamentally political not juridical. On any sober assessment, it would be against the interests of Pakistan to execute Mr Bhutto. It is because of this that General Zia has been under pressure from heads of state across the world to commute the death sentence to imprisonment. But above all to hang Mr Bhutto would be to hang a man who is still considered by many Pakistanis to be their legitimate Prime Minister and who in a further free election would certainly win a large proportion of the votes. To execute him would also be to carry out an irrevocable act that could well set in train a pattern of reprisals and bloodshed that has so far been alien to Pakistan's history. On almost every count General Zia needs to show humanity now.

General Zia's hope since the military seized power in 1977 has apparently been that public opinion would slowly turn against Mr Bhutto. But through both his trial and the White Papers published on his years in government, he has revealed his numerous faults. He has retained much of his popular appeal. It is the army which

has seen its standing diminished through its renewed involvement in politics. It is blamed, often wrongly, for the country's present economic ills. Many of the political parties which nearly two years ago were glad to see the army rid them of Mr Bhutto now shun association with it. To the sharp rivalry between the four provinces, has been added the bitterness that divides Mr Bhutto's opponents from his followers. As in the past when the country has seemed least sure of its identity, it has turned back to Islam as the basis of unity. But the Islamic fundamentalism that General Zia is imposing is not the Islam that the founders of Pakistan had in mind.

Without fresh elections there is little chance of a breakthrough in the present crisis. Mr Bhutto balked at holding these in 1977 because he feared he might be defeated. One reason why General Zia removed him, General Zia has balked at holding them since because he feared that Mr Bhutto might be returned to power and then seek revenge on those who put him in prison and on trial. On Friday he announced that elections would be held in November. But as he has made such promises before there is inevitably doubt as to whether he will remain true to his word and whether the elections will be free.

## Vengeance

By delaying until November, General Zia also takes the risk that he himself could be overthrown in a coup d'état.

Pakistan cannot afford the uncertainty of another power struggle. General Zia would be well advised to withdraw the army as rapidly as possible from politics and hand over to a totally civilian administration to prepare the way for fresh elections. It would then be up to Mr Bhutto's followers in their preferred national reconciliation to vengeance. There is no guarantee that they would eschew vengeance. But that is no excuse for avoiding elections.

## THE ITALIAN CHEMICALS INDUSTRY

## A future clouded by crisis and subtle intrigue

SIG. PAOLO BAFFI  
... charges rejected

THE PROTRACTED and dire crisis of the Italian chemical industry has taken a dramatic and unprecedented turn with the arrest of Sig. Mario Sarcinelli, a joint deputy director of the Bank of Italy, and the charges brought against Dr. Paolo Baffi, the highly respected governor of the central bank.

The two officials have been charged in connection with the inquiries opened some 18 months ago into allegedly irregular subsidised interest loans granted to SIR, Italy's third largest chemical conglomerate now threatened with collapse. Both Dr. Baffi and Sig. Sarcinelli have vigorously denied any irregularities on the part of the central bank, and rejected charges of alleged complicity by allegedly failing to inform the judicial authorities about the findings of a central bank inquiry into subsidised loans made to SIR.

The decision of the magistrates has unleashed a storm which now threatens to produce severe domestic and international repercussions for Italy. The top management of the Bank of Italy has threatened to resign en bloc unless the charges are withdrawn and Sig. Sarcinelli is reinstated.

In the current climate of economic and political uncertainty the arrest of Sig. Sarcinelli and the charges against Dr. Baffi are increasingly regarded here as possibly entailing backstage political manoeuvres. During the last few months, there has been growing controversy about a series of initiatives taken by the Italian judiciary.

Sig. Fabrizio Cicchitto, the economic spokesman of the Socialist Party, yesterday declared that Italy was in the throes of a revival of the so-called "chemical war" of the late 1960 and early 1970s. The decisions of the magistrates at the weekend did indeed come at a time when a series of bitter feuds between powerful industrial, political and banking lobbies coupled with the mounting financial difficulties of Italy's major chemical companies seriously threaten the recovery of this key sector, which along with steel and telecommunications was conceived as a cornerstone of Italy's post-war industrialisation.

The dire problems of the chemical industry—the fruit of a combination of factors including the energy crisis, over-ambitious and largely uncoordinated investment programmes, and brutal in-fighting between political factions and rival companies for control of the sector—have now reached crisis point.

Two of the four major Italian chemical groups, SIR with accumulated debts of more than L2,000bn (about £1.2bn), and Liquegas with debts of some L1,000bn, are on the verge of financial collapse. For more than a year many of their plants have either been idle or operating on a stop-and-go basis.

The largest conglomerate,

Montedison, employing some 130,000 people and with turnover in excess of L6,000bn, continues to have debts of more than L2,000bn and huge operating losses. Last year, the Montedison parent company reported a loss of L250bn. The financial situation is equally desperate at Anic, the chemical group controlled by the state hydrocarbons agency, Ente Nazionale Idrocarburi (ENI), which has accumulated debts of L900bn and reported a loss of L190bn in 1977.

In the face of the deteriorating situation, Italy's mainly state-controlled banking system—one of the more profitable ends of the Italian economy but heavily exposed in the troubled chemical groups—now risks not only being burdened with the overall cost of the rescue, but also being blamed for the so-called errors of the past. This has caused growing panic in the banking fraternity which sees itself carrying the entire blame for the current difficulties and being used as a scapegoat by the political parties, and particularly by the Christian Democrats, who were originally the prime sponsors of the rapid and largely uncoordinated development of the chemical industry.

## Vehicle of patronage

Until the balance of power in Italy shifted with the advance of the Communist Party, the state banks and the state sector in general were, and to some extent still are, the traditional power base of the ruling party. The chemical companies, in view of their size, inevitably came to be regarded as important vehicles of political patronage.

This is clearly reflected in the so-called "Italian chemical war" of the late 1960s and early 1970s, when the chemical companies and different political factions struggled for control of the sector and the lion's share of the substantial, low-interest regional subsidies offered for industrial ventures in the depressed south.

## HOW THE COMPANIES HAVE FARED

	1973	1974	1975	1976	1977
Sales	2,590	4,029	3,535	4,815	5,472
Profit (Loss)	33	123	(163)	(172)	(465)
Debt	1,824	2,133	2,775	3,162	3,430

	1973	1974	1975	1976	1977
Sales	277	592	470	744	716
Profit (Loss)	48	42	(182)	(22.1)	(70)
Debt	1,044	1,476	2,115	2,698	2,241

	1973	1974	1975	1976	1977
Sales	371	741	711	933	1,001
Profit (Loss)	493	532	(37)	(45)	(190)
Debt	79.7	399.1	499.1	769	784
Profit (Loss)	22.5	34.1	40.8	(23)	(49)
Debt	396.5	774.5	938.5	1,236	1,421

\*SIR estimates

†Net sales of Italian subsidiaries

‡As at end-August of the year

Source: Mediobanca

This, in turn, led to some instances of duplicated investments lacking in overall economic benefits. At Ottana, in central Sardinia, for example, both SIR and a joint venture between Montedison and Anic built similar synthetic fibres plants representing investments of more than L200bn each. The region lacked infrastructure but was earmarked for industrialisation by the political authorities of the time, apparently to eliminate the high rate of banditry in the area.

Many leading bankers admit that perhaps the banks, by financing the chemical companies, share some of the blame for the current crisis. But according to Sig. Giorgio Cappon, chairman of Istituto Mobiliare Italiano (IMI), Italy's largest medium-term credit institute which is now at the centre of a fierce controversy over the rescue of SIR, the responsibility for rescuing the troubled groups falls equally on the politicians, the industrialists and the bankers.

However, the complexity of the problem lies in the fact that the political forces in Italy are attempting to find a compromise alternative, a so-called "third way" to avoid either nationalisation or liquidation of the troubled companies. After the disappointing performance of the state sector, which originally was conceived of as a way to combine the entrepreneurial drive of private enterprise with the social function of nationalised industry, even the Communist Party is now opposed to further nationalisation in Italy. At the same time, immediate liquidation would clearly have enormous social and political repercussions since the chemical industry is concentrated mainly in southern areas where it effectively represents the only source of employment.

This "third way" is now at the core of the current controversy. The concept envisages the setting up of a series of liquidated consortia of the credit institutions exposed in the troubled companies, to take control of the groups and launch five-year financial recovery programmes.

The banks would agree to a moratorium on all outstanding debts, pay off immediate creditors and guarantee the continuity of industrial activities of troubled companies while reorganising their structure and current investment programmes. At the end of the day, the consortia—all going well, would sell newly viable enterprises wholly or in part to private interests.

At present, there are negotiations for the setting up of two banking consortia, for the rescue of SIR and Liquegas respectively.

## Eye of the storm

In the case of SIR, which is at the eye of the current storm, IMI has painfully, and so far unsuccessfully, struggled for more than a year to set up a consortium. IMI itself has some L1,070bn of outstanding credits with the chemical group and SIR's collapse would clearly have major repercussions on the medium-term credit institute.

One of the main difficulties IMI has faced has been to persuade the other creditor banks which are less exposed in SIR—including, among others, medium-term institutes like ICIPU and Credito Industriale Sardi and commercial banks like Banca Commerciale Italiana and Banca Popolare di Milano—to enter a consortium. This would inevitably involve further fundings by these banks for the group's salvage.

At the same time, both IMI and the other banks are reluctant to enter into a salvage operation without first obtaining firm financial contributions and facilities from the State to ease the burden of the banking system. Although legislation has now been approved for direct State support, through the so-called law for the financial and industrial reconstruction of troubled companies, it has yet to be applied. In any event, the country's key economic planning Board is still arguing over the extent to which the State should support ailing companies.

The difficulties besetting the rescue of SIR have been further exacerbated by the singular character of the chemical group itself, the judicial inquiries into loans granted to it, and uncertainties about the precise cost and economic viability of a rescue.

SIR was the brainchild of the group's controversial and colourful chairman, Sig. Nino Rovelli, a chemical engineer who, from a fairly modest start, rapidly built the company into one of the country's major chemical concerns in a matter of some 20 years. With the support of a number of influential political circles, he concentrated his activities in Sardinia.

His main petrochemical complex in the north of Sardinia, at Porto Torres, accounts for as much as 80 per cent of SIR's present turnover of some L800bn a year. It was created by Sig. Rovelli's ingenious use of low-interest state-subsidised fundings allocated for the industrial development of depressed southern regions. Porto Torres, in fact, is made up of some 30 different companies all effectively linked together. Sig. Rovelli took advantage of legislation guaranteeing low interest rate subsidies for companies with a turnover of up to L6bn. When one plant, controlled by a separate company, was completed, he would subsequently use it as a guarantee to secure more funds to set up another plant integrated with the first one, but controlled by a new company. In so doing, he gradually built Porto Torres, which includes a 5m tonnes a year refinery and a stream cracking plant.

By the late sixties he was seriously challenging both Montedison and ANIC, and in the early seventies he launched a L3,000bn investment programme at the same time as directly threatening Montedison, the largest Italian chemical conglomerate, by becoming one of the main private shareholders of SIR's biggest rival. Concurrently, Montedison also launched an ambitious investment programme and Liquegas was investing heavily in the south in two plants, at Saline in Calabria and Augusta in Sicily, for the production of then-increasingly profitable secondary chemicals.

This investment race between Italian chemical groups, prompted by the financial facilities the state was then offering, was in full swing by 1976, some 18 months after the energy crisis. The consequence of these policies were not felt until later.

SIR's crisis erupted in the autumn of 1977, when a series of judicial inquiries were opened over allegations claiming the misuse of state-subsidised funds by the company, which was already facing severe financial difficulties as a result of the energy crisis. SIR at the time was in the midst of its gigantic investment programme but became unable to raise money to pay for

raw materials as the banks stopped further credits. Production at some of its plants gradually came to a standstill.

For its part, IMI has devised a recovery plan for SIR, involving, among other things, a reduction in the company's original and over-ambitious investment programme. IMI proposes that some L175bn should be spent by the banking consortium to complete about L1,000bn of so far unfinished plants, while a further L650bn of partly constructed plants—including a new refinery and a new stream-cracking plant at Porto Torres—are to be shelved for the time being at least.

## Effective chances

Through the intervention of the banking consortium, which would provide an additional injection of some L2,000bn of fresh funds, IMI estimates SIR could be brought back to profitability by 1982. But many of the interested parties are questioning the effective chances of bringing SIR back into the black even in the next five years.

The banks have faced similar difficulties over the rescue of Liquegas. However, the problem is an a relatively smaller scale than the SIR rescue, since the group's two main plants at Augusta and Saline are generally regarded as sound in view of their productive activities in secondary chemicals.

A controversial decree law has recently been passed enabling the industry minister to appoint a commissioner to take control of a troubled group and suspend liquidation proceedings (or 24 months to see whether a company can effectively be salvaged). This has put additional pressure on the banks, since it would effectively threaten their interests, probably disrupt the continuity of industrial activities of troubled companies, and take the matter out of the control of the banking system at large.

There are two schools of thought. A lobby of liberal economists at present enjoying considerable influence in the country, favours a clean break with the past whatever the cost; others advocating a loveable approach to try to resolve the current problems as smoothly as possible. Behind all this, powerful political and industrial forces are manoeuvring. At a time of an apparent recovery in the chemical market, some of the companies could hope to gain from the revival from the Italian market of two of their main competitors.

While conventional wisdom would perhaps dictate a general closing of ranks by the entire banking system and the chemical groups, quite the reverse has tended to happen. With the latest Government crisis and now the sensational events of the weekend, the prospects of the Italian chemical industry look murkier than ever.

## MEN AND MATTERS

## Repelling the revolving pirates

The word "piracy" has an old-world, swashbuckling air about it. A fact which has no doubt helped gain friends for latter-day entrepreneurs on and off shore.

Such instinctive sympathy is among the many headbaches of John Hall, a QC who has just taken over as Director of Anti-Piracy for the International Federation of Producers of Phonograms and Videograms (IFPI).

His job involves coordinating the international struggle of legitimate tape and record producers to extirpate a well-established undercover industry costing IFPI members about \$1bn a year. He tells me his main targets at the moment are Singapore, the Philippines, Indonesia, and Taiwan. The IFPI's principal recent success has been Hong Kong, where after four years of cajoling and diplomatic leverage—the law has been changed.

A special squad of 40 "most understanding" officers has repelled the recording pirates to such an extent that illicit recording have in a year come down from 80 or 90 per cent of the market to only five.

"From the outside, piracy might even seem a good thing," says Hall. "But the pirate takes no risks. He steals only what he knows will be successful—and even with pop record releases, only 23 per cent actually break even. With classical records it's under ten per cent. They have to carry the whole of the rest."

The advent of cassette tapes has made life extremely easy for the pirates, who can set themselves up with duplicated machinery for between £1,000 and £3,000. In Turkey, says Hall, "on-one even bothered to put out a legitimate version of Saturday Night Fever."



"OK, OK, help for the state miners, your own leak moun-Cardiff Bay oil-well ITT're jibbing at 'Coronation Street' in Welsh."

## Behind the veil

The militant ladies of Iran provide a whole new set of doctrinal difficulties, resolved in masterly style, I note, by Young Socialist.

Raiding the store cupboard of nearly every hackneyed left-wing phrase ever coined, Young Socialist avers that "the so-called women's rights groups" represent "a dangerous provocation aimed against the revolution." The feminists are, the reader is told, not only "motley," but on the same level as "other shady political figures."

The reality of the situation is eloquently outlined by the Young Socialist scribe: "From the moment," he (or perhaps she) writes, "that the stooge Bakhtiar was forced out, the conspiracy in the capitalist Press to blacken the revolution has been stepped up. Foreign correspondents have been working overtime to shovel out stories which depict the revolu-

tion as a step back into the dark ages..." into this scene have marched the CIA-financed veil-brunns, intent on restoring the Shah.

The "selfless heroism of the masses," says Socialist Worker, somewhat ungrammatically, "sudden and anxious not to offend any readers who persist in not wearing veils, included" women wearing veils and those without.

## Lost post

The Union of Post Office Workers has been alerting fellow-unionists to the threat of mail delivered by hands unauthorised by the correct form of union membership. According to a warning circulated among members of the TUC, water boards, electricity boards, and above all local authorities have all been guilty—in some cases even recruiting children to deliver mail.

"What we are saying in trade union terms is that we promise not to puddle any steel if they promise not to deliver letters," says the UPW assistant secretary Maurice Styles. "We are saying to Nalco 'we promise not to do caretaking on council estates.'"

He adds darkly that he has evidence of three councils in the Home Counties which have made covert agreements to pay staff for delivering mail in their own time. Such people are now on the run, says Styles, who blames the outbreak of unbrotherly behaviour on "the cost-effective slide-rule merchants who are employed to tell their political masters what they want to hear."

## Teeth wisdom

Any suggestion that the Department of Health and Social Security is not entirely at one with the nation's dentists is bound to provoke controversy. A recent comment in this

column about the problems of getting a set of false teeth or a crown on the National Health seems to have pleased neither side.

The dentists insist—at least in London and most other big cities—that such work is not worth their while at the rates the DHSS pays. But officialdom affirms that any frustrated member of the public needs only to approach his local Family Practitioner Committee to be directed to a friendly dentist, drill in hand, all ready for action.

But what kind of action? When I questioned the DHSS yesterday, I was firmly told that an FPC is not bound to name a dentist willing to supply a gleaming set of NHS grinders. The dentist will just put you on his list of patients—and what he does then is up to him. Fillings are the limit in most cases. "Dentists are independent contractors," a DHSS spokesman told me. "They can decide as they wish."

This statement is, to put it mildly, a tactical retreat. The cost of NHS dentistry is more than £200m a year, but it plainly leaves plenty of gaps. A senior official in a Family Practitioner Committee (how many people have ever heard of these bodies, by the way?) admitted to me that it would be "highly embarrassing" if too many people starting where they could be given the full range of treatment that the State still proclaims is everyone's right.

## Ins and outs

Notice in the canteen of a Berkshire company: "Staff are reminded that they are required to book in and out when starting and finishing work unless absent. Staff who are absent should not sign the book but must write 'Absent in the book on the day they are away.'"

Observer

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# FINANCIAL TIMES SURVEY

Tuesday March 27 1979

مكتبة الشرح

## GERMAN BANKING

Its close involvement with industry makes West Germany's banking system unique in the Western world. Criticism of this relationship is often voiced inside and outside the country, but for all that it is clear that it remains a powerful element in the Federal Republic's economic strength both at home and abroad.

ture to minimise the risk of a foreign takeover.

But all these problems are now forgotten and Germany's banks are once again going about their business in a supremely confident fashion. Without doubt Germany is now the world's second financial power and German banks are quickly adjusting to their new role. Although they came into international banking rather late in the game they are rapidly making up for lost time.

The number of German bank branches overseas has roughly doubled over the past five years and their business volume has more than trebled to over DM 60bn. Add in the Luxembourg operations (DM85bn, say) and German banks control foreign assets of DM 145bn (\$79bn). This is still small by comparison with the \$270bn of U.S. banks' foreign branches but it is growing rapidly.

The rise of the German banks is nowhere more obvious than in their position in the pecking order of the world's top banks. Back in 1970, Chase Manhattan, for example, was over three times the size of Deutsche Bank in dollar terms. Today it is considerably smaller and Deutsche Bank is not far behind Bank of America and Citibank in terms of asset size.

Admittedly, part of the reason for the growing international stature of Germany's banks has to do with the steady appreciation of the DM against the dollar which pushes the banks higher up the league tables and strengthens their balance sheet ratings by comparison with foreign competitors. In addition the importance of German banks in the issuing business has a lot to do with the fact

that the German authorities insist that the lead manager of any international DM-denominated issue (there were \$9.1bn in 1978) must be a German bank. However, this is not the whole story. Germany's exports now top those of the U.S. and much of the German banks' business is associated with financing these exports.

Because of their growing financial power the German banks have become a formidable force in the Euromarkets. According to the "Euromoney" rankings, German banks occupied three out of the top four positions as lead managers of international bond issues last year. Deutsche Bank alone accounted for over a quarter of the total and Westdeutsche Landesbank for more than a tenth. This partly reflects the importance of DM-denominated issues which accounted for 27 per cent of the total compared with 17 per cent six years ago. However, German banks are also very important in the medium-term lending field where they do not have the same sort of privileges as they have with DM bond issues.

### Stung

Finally, it is fair to say that German banks, perhaps stung by U.S. competition in their own backyard, have become much more professional internationally. Whereas they initially ventured overseas as members of various European banking "clubs" they now feel confident enough to go solo. Five years ago, when Dr. Sipple took over the reins at the troubled Hessische Landesbank, he was amazed to learn that the manager of his interna-

Bank	Headquarters	Size \$bn	Branches No.	Staff No.	Int. bond issues \$m	Lead manager	Lead manager
Deutsche	Frankfurt	58.3	1,279	40,614	39	3,115	17
Dresdner	Frankfurt	45.9	899	25,139	16	941	10
WestLB	Düsseldorf	39.0	7	6,776	26	1,417	30
Commerzbank	Frankfurt	35.5	870	19,377	10	523	16
Bayerische Hypothek	Munich	30.9	382	9,461	3	64	
Bayerische Landesbank	Munich	25.7	493	11,772			
Bank für Gemeinwirtschaft	Munich	24.4	7	3,570			7
DG Bank	Frankfurt	22.5	240	7,000			3
	Frankfurt	20.3	3	1,893			7

Sources: The Banker, Euromoney, bank balance sheets and "The Banking system of the Federal Republic of Germany."

tional department could not speak anything but German. This is no longer the case and there is a growing number of German bankers that learned their craft in a UK accepting house or a Wall Street investment bank before returning to Germany.

One of the key reasons why German banks have been pushing abroad is the fact that for years they faced pretty sluggish domestic loan demand and tough competition from the publicly-owned banks. Overseas business offers higher growth potential and sometimes better return. To this extent they were following the example of the U.S. banks. However, the domestic side of the German banks' business has been particularly buoyant over the past year. The combination of the lowest interest rates since the start of the decade and a recovery in economic growth has done wonders for the banks' loan portfolios.

From the second quarter onwards of 1978 loan demand accelerated. For the year as a whole the banks' lending was up

by 28 per cent to DM 132bn. This compares with a small decline in the previous year. The biggest contributor to the growth was long-term lending which at DM 94bn was 36 per cent up on the previous year. Within the individual categories demand for house loans was particularly buoyant as was the demand for instalment finance. In the first ten months of the year Deutsche Bank, for instance, reports that its average business volume was up by 18 per cent on the comparable period of last year. It noted a lively demand for personal loans and finance for car purchase. By contrast, loan demand by the big corporate customers was sluggish due to the generally high level of corporate liquidity. Other German banks report much the same sort of picture and while the increase in loan volume should boost earnings, margins have been squeezed. Deutsche Bank's earnings were only 6 per cent ahead in the first ten months of 1978.

Compared with the mid-1970s, the current outlook for the German banks is much healthier.

The supervisory framework has been completely overhauled to prevent the repetition of another major banking crisis and it looks as if the banks will be given a virtually clean bill of health when the Gessler committee reports on the universal banking system later this year. There may be some restrictions on the extent of banks' stakes in industry but the banks have gone some way towards meeting this criticism already. It seems most unlikely that any major reforms of the banking system will be recommended.

There are still some problem areas in the financial system. The authorities' attempts to tighten up control of the banks have been undermined to some extent by the blossoming of the Luxembourg subsidiaries of German banks. These operations, only a couple of hours away from Frankfurt, can circumvent the official controls on the amount of money a bank can lend to any one customer, for instance.

At the moment they need reveal very little and the so-called

"gentleman's agreement" under which German banks have declared themselves willing to provide extra details about their Luxembourg operations is not felt to be sufficient. The fear is that German banks are storing up trouble for themselves by pushing so much of their foreign business through Luxembourg outside the scrutiny of the official German regulators.

In a country with 6,000 individual banks which actively compete with each other there are always going to be certain stresses and strains in the financial system. That is part of the price to be paid for a competitive and efficient banking system. The savings bank community is a good example. The average savings bank branch is virtually identical these days to the local branch of Deutsche Bank as regards the types of services offered. The Landesbanks, which are the central banks of the local savings banks in particular regions, have already developed into fully-fledged universal banks and instead of just serving their local Land they now range across the country.

### Offices

In Frankfurt, the home of Hessische Landesbank, and Germany's de facto financial capital, Westdeutsche Landesbank and a handful of other Landesbanks maintain offices, ostensibly to do stock exchange business. But they could easily double up as American-style loan production offices. For the Landesbanks the old regional boundaries no longer have much relevance. They may still shy away from hanging up their nameplate on a rival Landesbank's doorstep, but

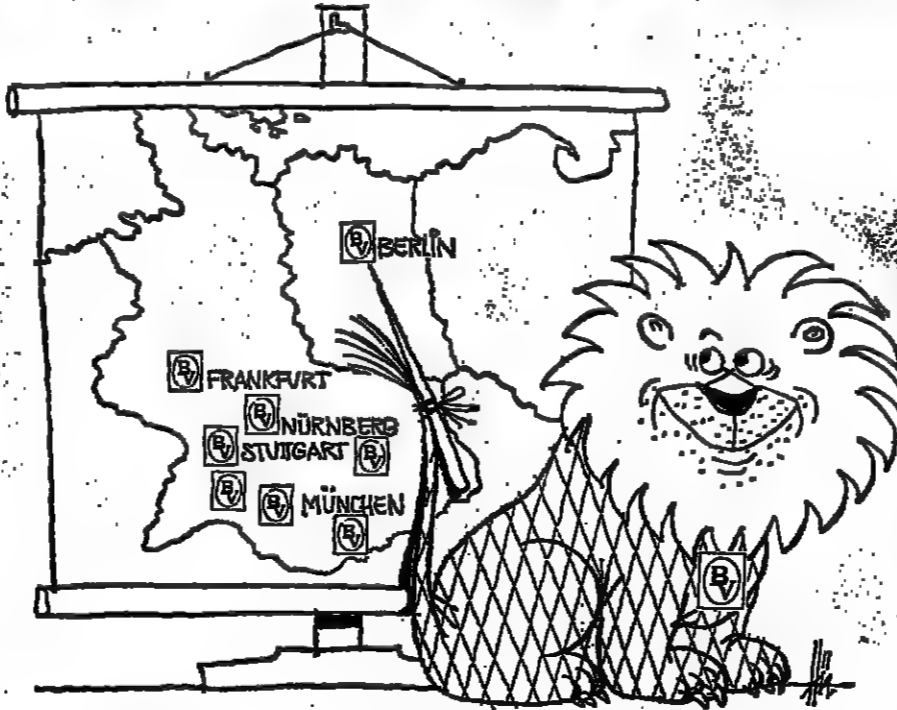
that does not prevent them drumming up business over the telephone.

Below the Landesbanks, at the savings bank level, there are also signs of change. One or two savings banks are very large indeed and are already carrying on foreign business and it must be only a matter of time before they want to go abroad. The Hamburger Sparkasse, for instance, has assets of \$6.3bn which puts it on a par with the Bank of New York. Indeed some of the savings banks have outgrown the Landesbanks and there is scope for further rationalisation here.

Competition for banking business is very fierce in Germany as the foreign banks have found out—their total balances have stagnated for the past three years. However, behind this competitive facade there are signs that despite the banking crisis of the mid-1970s the old ways linger on. The doyen of the post-war German banking scene, Deutsche Bank's Herr Hermann Abs, still hovers in the background, and despite the modest market share the Big Three commercial banks still seem to have an uncanny hold over their industrial customers. A situation such as the British banks' desertion of Rolls-Royce in its hour of need would never have been allowed to happen in Germany.

German banks see themselves as the "leaders of the entrepreneurial spirit of the nation," as one commentator put it. Their close ties with industry leads to all sorts of potential conflicts of interest, the slightest hint of which would make an American banker run for his nearest lawyer. But it is hard to think of a system that would work much better in Germany.

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Focus on Hessische Landesbank - Girozentrale -

## "Half of Germany's top 10 banks are Frankfurt-based. We're one of them."

### Let's start with Frankfurt. Why is Frankfurt so important?

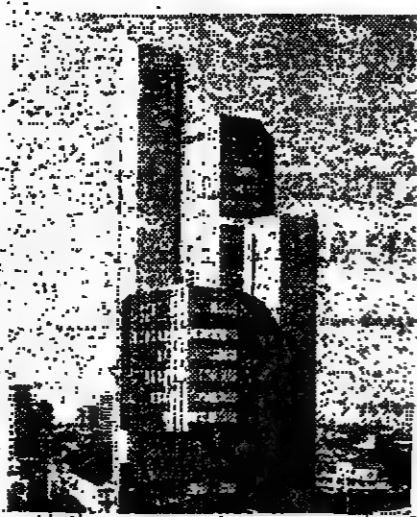
Frankfurt ranks among the world's foremost banking and financial centers. 150 German banking institutions operate here, and Frankfurt has 174 international banks, more than any other city in Continental Europe.

The Bundesbank is headquartered here, and the Frankfurt Stock Exchange is Germany's largest, accounting for nearly half of the stock exchange transactions, 64 per cent of dealings in foreign shares and 80 per cent of the business in foreign fixed-interest securities.

Perhaps less well known internationally is that Hessische Landesbank is one of Frankfurt's big native-born banks. Half of Germany's top 10 banks are Frankfurt-based. We're one of them."

### Now about the bank itself. What's its size and structure?

"Hessische Landesbank is Germany's 9th largest bank, 3rd among Landesbanks. As a government-backed regional bank, our liabilities are guaranteed jointly by the State of Hesse and its Sparkassen and Giro Association. We also act as banker to the State of Hesse, from which our name is derived, and perform clearing functions for the 52 regional Sparkassen."



### What about your service facilities?

"We concentrate on wholesale banking and medium to long-term fixed-rate DM lending. As a German universal bank, our facilities cover the full range of commercial and investment banking services. Because we don't operate a branch network, we can devote our time and energy to wholesale banking activities."

In recent years we have strengthened our participation in international issues. And we provide comprehensive investment management and brokerage services, including securities trading. Our membership of the Frankfurt Stock Exchange facilitates dealing in quoted shares and fixed-interest securities."

### And sources of funds?

"A large part of our funding is done by issuing bearer bonds and SD Certificates (Schuldschein-darlehen). The total in circulation is about DM 20 billion."

### Who are the bank's main clients?

"As a wholesale bank, our service facilities are tailored for large, internationally active corporations, foreign governments, and other financial institutions, as well as subsidiaries of international companies operating in Germany. As bankers to the State of Hesse, we naturally support its state-wide and municipal programs. We also work closely with Hesse's Sparkassen and their clients, especially on the foreign side."

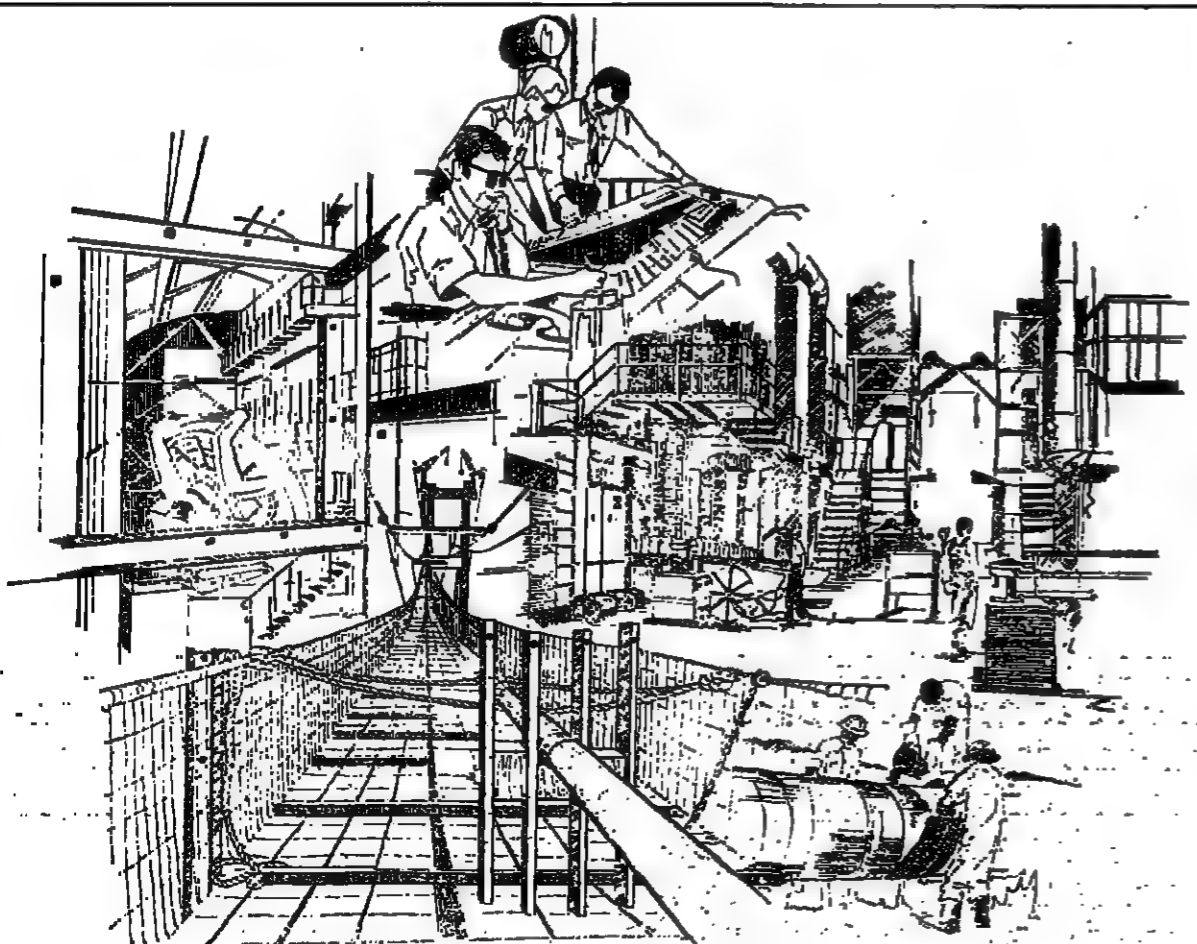
### How do you see your position developing internationally?

"Frankly, a number of German banks offer similar high-quality services, and some of them have a head start on us in the international field. Without neglecting our home base in Frankfurt, we have assembled a team of banking professionals devoted to building a strong international track record based on pragmatic banking principles, the most modern technical and support facilities, and the highest standards of client service. Banking in Frankfurt is quite competitive, and the banks who try harder for their clients and give them fast, personal service often have the edge. This is one of our major objectives."

Hessische Landesbank  
- Girozentrale -  
Junghofstrasse 18-26  
D-6000 Frankfurt/Main  
Telephone: (0611) 132-1  
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## What have these projects and hundreds of others in common?

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Kreditanstalt für Wiederaufbau is a public corporation in the domestic business sector. Kreditanstalt grants long-term loans in support of the German industry. It also finances long-term export business and projects aimed at securing supplies of foreign raw materials for German industry.

Moreover, Kreditanstalt provides funds on behalf of the Federal Republic of Germany for development projects around the globe.

Of total loans of about DM 10.1 billion granted in 1978 some DM 6.3 billion were allocated for domestic investment and some DM 3.7 billion for export financing, other forms of external lending, and capital aid loans. 60 per cent of all credits were financed from own resources and from funds raised in the capital market (bonds and debt certificates), while 40 per cent originated from public funds.

Total assets rose to more than DM 43 billion as of December 31, 1978.

## Kreditanstalt für Wiederaufbau

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## GERMAN BANKING II

# Private banks still a force

IT IS easy for the foreigner to underestimate the importance of the West German private banks. Their numbers, on paper at least, have diminished drastically during recent years and doubts have often been expressed in public and private about their future.

The Bundesbank's February report showed that in December last some 96 private banks were reporting to it on their activities. This compares with 114 a couple of years ago—and this figure is much reduced since the heyday of the 1950s.

In terms of business volume most of the banks are very small. Provisional Bundesbank figures for December last show that the private bank's total business volume at that time amounted to DM 32.89bn—a mere drop in the ocean when compared with a total business volume for all bank groups of DM 1,988.34bn.

But as far as the private banks are concerned, to make a judgment based on business volume or total assets would be totally false. While they may give an indication of the comparative strength of a major commercial bank or Landesbank, the nature of a private bank's business is totally different.

With the best of the private banks—merchant banks in London terms if you wish—the really lucrative business does not show up in the balance sheet. What is true of the London merchant banks is also true of their German counterparts.

A leading German private banker, handling his annual report, said recently: "If you believe that this will give you an accurate picture of our business, we must be in a very bad way."

He was right. Advisory and consultancy work, the assembly of tailor-made financing packages, stock and bond market trading and portfolio management, not to mention specialised foreign exchange services, were his real money earners.

### Discretion

Banking is of course a business which puts a high value on discretion, and that German merchant banks are particularly coy when it comes to talking in figures about their own businesses. The obligation to publish their balance sheets—though for most not their profit figures—was introduced only a few years ago and the reports are not particularly informative.

Even those who give Press conferences to explain the annual reports do so reluctantly. One of the leading private banks recently admitted that the only reason they did was because they were urged by the Bankers' Association to do so. The best of the Press conferences are more noted for witty ripostes than for information.

One banker, for instance, when asked the size of the bank's hidden reserves (known to be very large) replied: "If I told you that they wouldn't be hidden, would they?" Another, asked why his bank was steering clients into a different part of the U.S. from those recommended by the major commercial banks, said: "Oh, I am sure they are much more shrewd than us."

Such replies indicate a confidence that belies the shrinking number of banks in the sector still open for business. The best merchant banks in the field have every reason to predict a prosperous future for themselves. They offer companies specialist services that the major commercial banks lack the flexibility, or in some cases the experience, to provide.

While by no means all leading private banks have long lineages, several are among the oldest in Europe. Berenberg in Hamburg, for instance, was founded in the late 16th century, while Bankhaus Metzler in Frankfurt, founded in 1874, has remained exclusively in family hands for just over three centuries.

In many respects the private banks themselves embody the true German banking tradition. Indeed it was the private banks which established in the latter part of the 19th century the large universal banks which in terms of balance sheet might, then went on to surpass them.

According to the partners at one of Frankfurt's leading private bank houses, the secret of successful merchant banking in Germany, if not the world, is to have a clear concept of the aims of the bank and not to stray outside one's area of expertise.

This, they said, was a basic maxim thrown to the wind in the boom years of the 1960s and early 1970s. A number of private banks in those days succumbed to the idea of growth for growth's sake and expanded beyond the bounds of their

expertise and financial resources.

The collapses were few, but a number of proud and ancient names were forced into seeking partners among the banks in order to avoid financial difficulties resulting from unwise expansion or unprofitable ventures.

### Crash

These, together with spectacular crash of the Herstatt bank in mid-1974, did little to improve the private banking sector's image. A very senior banker was once forced to growl that the sooner the private banks went out of existence the better.

Even before the words were uttered private banks had been closing at a substantial rate. But many of these were not so much banks as private individuals managing their personal fortunes along banking lines. It was the evolution of the taxation system rather than anything else that altered the balance of advantage in this system that led to these closures.

Today the leading private banks appear to be doing very well and the loss of confidence

which resulted from the Herstatt collapse appears to be all but forgotten. Despite this, competition for prime clients of tough and a further thinning of the sector's weaker brethren is likely.

The banks that seem to be having the heaviest going are the small private banks—often very old—located away from the main industrial concentrations. The services that they have been offering have usually been unsophisticated and the combined assault of the savings banks, the co-operatives and the commercial banks have graded their customer base.

But the strong are not only holding their own at home they are also seeing foreign business expand—not only for German clients but for foreigners as well. It was a German private bank that advised on the first Kuwaiti loan to the German Democratic Republic (GDR, East Germany) and the same bank was the advisor on the first ever joint venture in third countries between a GDR enterprise and a British company.

Guy Hawtin

Frankfurt Correspondent

## Landesbanks look abroad

### LANDESBANKS PERFORMANCE

#### THE BIG THREE LANDESBANKS—1977

	Size	Capital & reserves	Net profits	Transfer to reserves	Available for distribution
	DM bn	DM m	DM m	DM m	DM m
WestLB	76.1	2,060	183.3	80.0	48.8
Bayerische	58.3	1,627	146.2	99.0	47.3
Hessische	42.6	871	65.0	66.0	—

#### THE BIG THREE COMMERCIAL BANKS\*

	Size	Capital & reserves	Net profits	Transfer to reserves	Available for distribution
	DM bn	DM m	DM m	DM m	DM m
Deutsche	78.6	3,480	262.8	110.0	171.5
Dresdner	68.1	2,484	203	60.0	143.0
Commerz	50.9	2,075	159.4	89.0	109.4

\* Parent Banks only.

Little different from the previous year's rate. Bayerische Landesbank, its closest rival, grew by 14 per cent and the latter can fairly claim to be the most profitable of the big Landesbanks.

Unlike most other Landesbanks, Bayerische Landesbank has managed to steer clear of the pitfalls of the foreign exchange and property markets. Headed by Dr. Ludwig Huber, a former Bavarian Finance Minister, it has approached its expansion in a more conservative way. It has built up its international lending under Dr. Peter Linss, another ex-Deutsche Bank man, but its main business is to finance Germany's foreign trade—a considerably less risky pastime than lending Eurodollars to some of the exotic names floating around the market.

Compared with WestLB and Bayerische, Hessische, the third largest Landesbank, is growing more slowly—its business rose by only 6 per cent last year. However, it is still being nursed

back to financial health by Dr. Heinz Sippel, brought in from WestLB following the massive losses of the mid-1970s. In 1977 it made its first profit for five years and increased it in 1978. But it is still not paying a dividend.

The pursuit of growth above all else was the key to Hessische's problems and under Dr. Sippel's careful guidance profits, rather than asset size, are the main criterion for doing business. This does not mean, however, that international business is being ignored. Hessische's international lending grew by roughly a quarter last year and around half of its international loans are to industrialised countries.

While the Landesbanks are becoming an increasingly powerful force in international banking they are none the less not without their problems. The difficulties at WestLB, Hessische and others have been well documented but there are less well publicised problems facing

CONTINUED ON NEXT PAGE

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هكذا من العمل

# A well-run central bank

W THAT the European Monetary System (EMS) is forly underway, it is no ser premature to think about prospects for a European al bank. ne could do worse than take Deutsche Bundesbank as a el. It is the central bank a working federal system. us been relatively (many Germans would say highly) ssful in defending the e-of the German currency— It is to a large measure pendent of politicians. It d well be argued that the two points have much to do one another—and that the ean Community would fit from an independent tion of a similar kind, ly not right away but in ssable future. me would say that the bank's structure and ies are the result of ssically German experience that its successes have

been those of a system run in a way other nations could not copy. This is true only in part. The Germans have learned their lessons well from two bouts of hyper-inflation in this century. They have experienced the bitter social consequences of sacrificing sound financial and economic analysis to political pressures, both domestic and external. But that does not mean the same lesson cannot be learned by other nations. The Western economic summit conference of 1977 agreed that not only was inflation not a cure for unemployment, but that on the contrary it was one of its main causes. The policies which West Germany's key European partners have been trying to follow are in accord with that principle. The Bundesbank's special tasks and powers are laid down in the Deutsche Bundesbank

Act of July 26, 1957. This makes it clear that the central bank is called on to support the Government's general economic policy as long as, and to the extent that, this action is consistent with the first duty of safeguarding the currency. It is bluntly stated that "in exercising the powers conferred upon it by this Act [the Bundesbank] shall be independent of government." These powers are wide-ranging. The Bundesbank not only issues bank notes but has responsibility for policies on discount and Lombard rates, credit, deposits, open market operations and minimum reserves. According to the Act the Bundesbank "shall advise the Federal Government on monetary policy matters of major importance." The wording is important. As the central bank itself as pointedly noted: "It is not without good

reason that such advice was not made dependent on an explicit request, for otherwise it might be possible to prevent the Bundesbank from giving undesired advice by not requesting it." Government members have the right to take part in discussions of the Central Bank Council, the Bundesbank's top decision-making body, but they cannot vote there. They can request postponement of a decision for two weeks—but cannot stop it being made. They can of course criticise a decision—and recently, but unusually, did so publicly. Otherwise their action when faced by what they feel to be an unhelpful Bundesbank attitude must be largely limited to gnashing their teeth. It can safely be said that there was much gnashing of teeth in Bonn last year over some aspects of the Bundesbank's attitude to the EMS. But it would be wrong simply to portray Chancellor Helmut Schmidt as the irresistible force on the EMS and the Bundesbank President, Dr. Otmar Emminger, as the immovable object. A triangle of power was involved on the crucial issue of EMS structure and central bank intervention obligations, with the third side formed by the French. In the end it was the French who gave away faced with a Chancellor who could argue that the independent Bundesbank would not accept the formula Paris wanted.

Members of the Bundesbank directorate, who form one part of the Central Bank Council, are appointed on the proposal of the Federal Government. But the other members of the council are made up of the presidents of the central banks of the Laender (the provincial States). They are appointed on the proposal of the Bundesrat—the Federal Upper House of Parliament, which is dominated by the parties which form the opposition in Bonn. The President himself is appointed for eight years—which means he survives general elections and cannot be eased out of office because of a change of power in the capital. In sum, a series of checks and balances is involved and it is tempting (though not possible here) to consider how a similar structure might be achieved in the European Community context. If July, 1957, is the first key

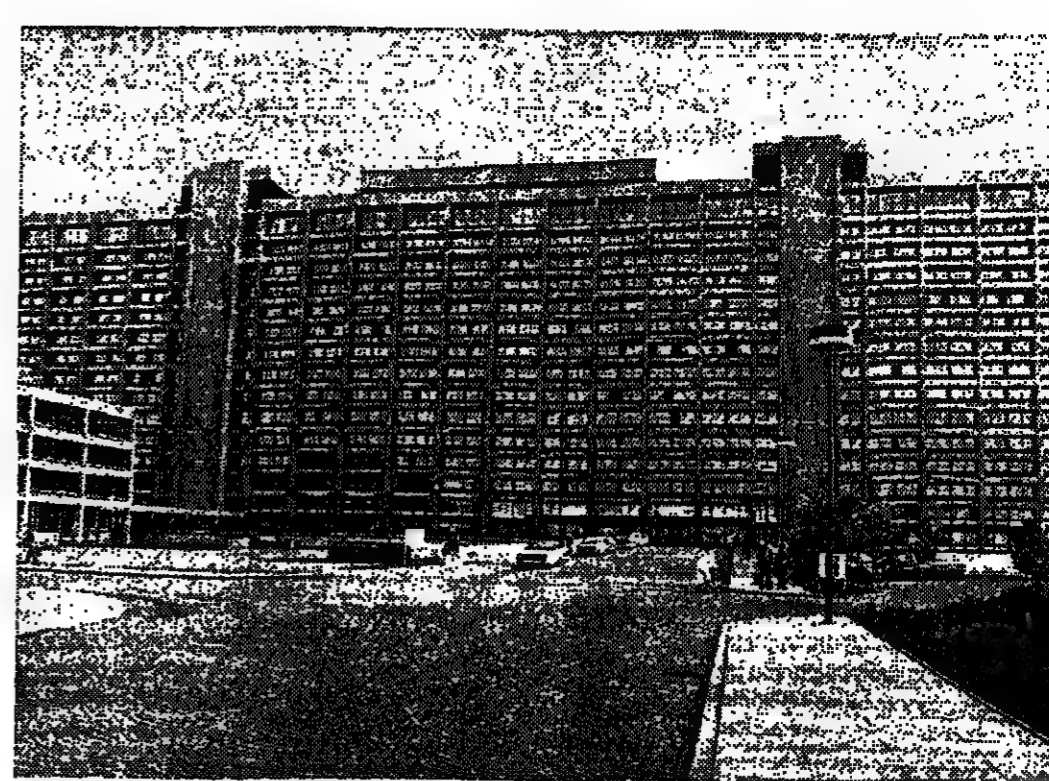
date in Bundesbank history, it would be fair to give March, 1961, as the second. It was then that the Deutsche Mark was revalued for the first time against all other currencies. As Dr. Emminger has pointed out, the step formally acknowledged the priority of domestic price stability over fixity of exchange rates. How great has this price stability really been? Compared with the performance in almost all countries, the German achievement has been outstanding. But in domestic German terms the trend is disturbing. In the 1950s the average annual rate of West German price increases was 1.1 per cent, in the 1960s 2.4 per cent and between 1970 and 1977 5.3 per cent. Last year was a good one, but the trend in 1979 seems to be upwards again.

It would be absurd to lay responsibility for this development solely at the door of the central bank. On the contrary, where the Bundesbank has had a real chance to control events it has generally done an outstanding job. But it has been trying to defend the value of the currency in a world where national measures alone cannot suffice.

In the 1960s and early 1970s West Germany inevitably suffered like others from the operation of what the former Bundesbank President, Dr. Karl Blessing, called "the perfect inflation machine." Under the regime of fixed exchange rates, surplus countries like Germany were forced by inflows of foreign exchange to increase the money supply, although there was no corresponding cut in the money stock of the U.S., the main deficit country.

The transition to floating rates eased the problem—but did not solve it as some had hoped it would. The dollar remained—and remains—by far the most important world reserve asset. Other nations have little alternative but to hold dollars and to hope that the U.S. will be successful in creating the fundamental economic conditions. Notably a big cut in its current account deficit, which will stabilise its currency.

The Bundesbank and the West German Government mean it when they say they want to see a stable dollar. The Bundesbank has double grounds to be in earnest. Not only is it obliged to intervene to smooth the erratic, but downward, trend of the dol-



The Deutsche Bundesbank headquarters in Frankfurt

lar, thus contributing to undermining the domestic money supply target and feeding inflation; it must also write down the value of its monetary reserves because each year the dollar component, despite intervention, is worth less. Last year the write-down (including dollars gained in previous years) totalled DM 1.6bn; in 1977 it was DM 7.8bn.

Bundesbank and Government have co-operated fully with the efforts of the U.S. Administration, in particular those of last November, to try to stabilise the U.S. currency. For a time the latest efforts seem to have had success. But they are being applied against the background of a greatly increased West German current account surplus in 1978, of rising German interest rates this year and of an increasing move into the D-mark, not simply of short-term speculative funds but of longer-term capital.

The West Germans firmly do not want the D-mark's position as a reserve currency to grow (it already accounts for between eight and 10 per cent of official world monetary reserves alone). But they face an acute dilemma. The very success of their economic and monetary policies, including the

partial victory over inflation, is liable in the long run to attract more dollar flows, increase the need for market intervention on behalf of the U.S. currency, and swell the money supply.

True, the result may not be a direct increase in inflation since the D-mark may be forced to revalue upwards again, reducing import prices expressed in other currencies. But the revaluation will not break the vicious circle for good; it will merely confirm the correctness of those who moved into D-marks.

There appear to be three ways out of this problem. One is that German economic and financial policies become so appalling that few people feel it wise any longer to hold D-marks. This is highly unlikely. The second is that the U.S. will achieve and maintain a current account position and a cut in domestic inflation which will stabilise the dollar for a long time to come. This is the devout wish of many, but it would be ambitious to describe it as very likely.

The third is that the member countries of the EMS can produce with their European currency unit (ECU) a reserve asset to take the strain off the D-mark. The ECU is a

very long way from fulfilling that role at present. But it is intended eventually to establish a European Monetary Fund, one of whose tasks, as suggested by the former Governor of the Bank of Italy, Sig. Guido Carli, could be to buy dollars against creation of ECU. The central banks of the member States—including the Bundesbank—could thus be spared the need to expand their monetary base through an increase in dollar reserves.

This idea raises a host of problems. But it is used here to illustrate that the Bundesbank is up against a problem which appears solvable only through an international, co-operative effort. This is not really new. International pressures have long been forcing an ever greater degree of consultation and co-operation on national central banks. If the EMS is to be viable, it must mean ever closer harmonisation by its members in economic and monetary performance. It is fair to suppose that the point will be reached where a European central bank will seem no longer to be a castle in the air but a desirable next stage of development.

Jonathan Carr

## Landesbanks

CONTINUED FROM PREVIOUS PAGE

one of the key areas is their ons with their share-ers. How can the Landes- reconcile their ambitions ecome big international s with their responsibilities erving local communities savings banks? Admittedly local savings banks need ational outlets if they are rve their clients properly, he angry political reaction estLB's decision to buy an ive office site in London's ate without first consult- he bank's shareholders is ample of the strained ons that sometimes lurk eneath the surface.

problems at Hessische— te off over DM 2bn—would ly have bankrupted a ercial bank. But with the g of the local savings and the State of Hesse it most fully recovered, thus tining the resilience of the banks generally. Inter- al bankers have short ies and the problems of sche and WestLB will ly be soon forgotten, if re not already.

at matters in international g these days is financial e and the Landesbanks.

even Hessische, have plenty of that. Through their privileged position of being able to issue long-term bonds (some 45 per cent of their funds) the Landesbanks dominate the long-term domestic lending market. No commercial bank can hope to compete with them. This also gives them a tremendous advantage in the international market where they are lending increasing amounts of long-term (over ten years) fixed rate Deutsche Marks. One banker suggested it could be as much as DM 2bn per annum.

Another area of debate concerns the supervision and legal structure of the Landesbanks. Should they be as dependent as they seem to be on the whims of politicians? Senior managers insist that they have a large measure of independence but this claim would hold more water if the State appointed leading business personalities rather than politicians to the Boards of the Landesbanks.

Since the debate at Hessische—where the chief executive was traditionally a non-banker—matters have improved. Nevertheless the suspicions that the Landesbanks are not quite as independent as they claim con-

tinue. And even if they are independent, do politicians make the best supervisors?

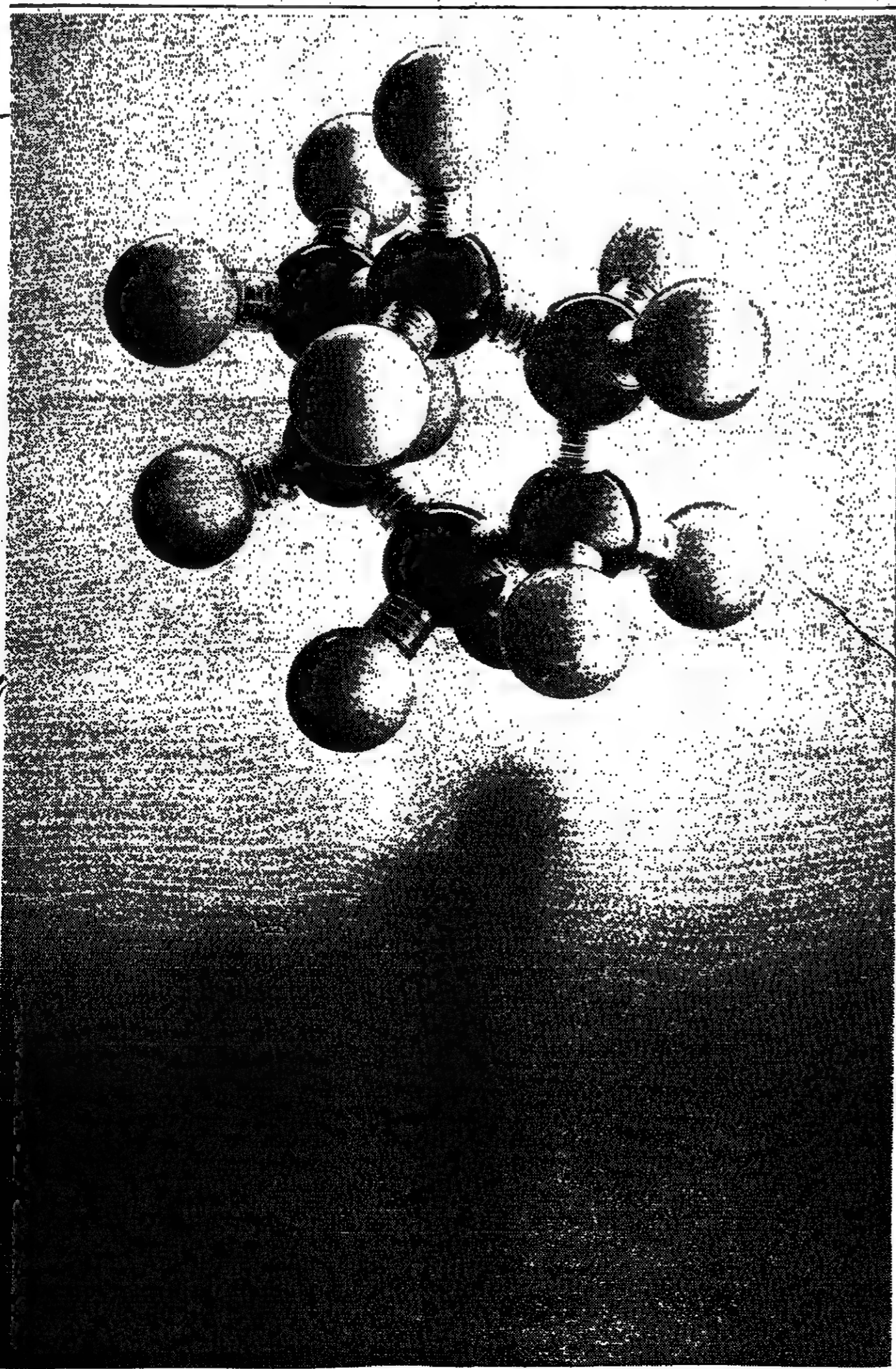
The problems at Hessische also underlined the weaknesses in the current structure of ownership. Because of the sheer size of the losses the local savings banks were just not able to meet their obligations as guarantors. The solution was to bring in other savings banks from outside the State of Hesse to help foot the bill. But would they be prepared to help a second time? Some bankers have suggested that the Landesbanks should be turned into public stock companies.

This would limit the liability of the shareholders, would also reduce the local State's responsibilities and probably reduce its interference in the internal affairs of the bank.

These are just a few of the questions that now surround the future role of the Landesbanks. In the past decade they have been tremendously successful in shaking off their old ways and the best of them now compete on a par with the world's top banks. But, in some cases, they still need to rethink their role and structure in the financial system.

Guy Hawtin

If July, 1957, is the first key



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## GERMAN BANKING IV

## Commercial banks face competition

STATISTICS, say some, never lie. If this is the case then West Germany's image as Europe's most successful capitalist state could well be a false one when it comes to banking. Bundesbank figures show that when it comes to business volume the industry is dominated by the public and co-operative sectors.

The Central Bank's provisional December statistics give the total business volume of all banking sectors as DM 1.988.14bn. Of this, the giro-centrals, the local authority-owned savings banks, the co-operative central banks and the local co-operatives contributed some DM 1.043.5bn—and by no means all of the public sector banks fall into these groupings. In contrast the country's six big commercial banks, the private banks and the private mortgage banks, with 53 foreign bank branches thrown in for good measure, produced a combined business volume of only

DM 446bn. Again this is not the entire sector, but the lion's share of it.

Statistics are only half the story, however, and, despite the public sector's power on paper, the industry's mightiest son remains the commercial sector. The commercial banks are the leaders in virtually every field except local branch banking, the savings business and building loans.

The reason for this is West Germany's universal banking system, which, unlike those of Britain and the U.S., does not separate deposit and investment banking functions. While most banks in the public and co-operative sectors are free to take advantage of many of the system's opportunities, their charters have tended to restrict them to lower risk business.

In recent years there has been a growing challenge from the public authority banks and the co-operatives, but the commercial banks have never been

inhibited from exploiting the system to the full. With the founding of the Second Reich at the end of the Franco-Prussian War, the commercial banks were given the duty of virtually creating the economic base of the new Germany and this—despite the havoc of two world wars—has given them a considerable advantage.

The universal banking system enables them to offer the complete range of banking services under one roof—a fact fraught with contradictions from the Anglo-Saxon viewpoint. For instance, they dominate the country's stock exchanges, both as stockbrokers and investors. They act as investment advisers and at the same time own investment trusts as well as managing portfolios on behalf of the public.

But for the foreign observer, perhaps their most awe-inspiring involvement is with industry. Not only are they a main source of industrial credit;

they are major industrialists in their own right. Not only do they own huge tranches of shares in their own right; they also regard it as their duty to vote on behalf of the shares deposited with them by customers.

## Instructive

A list of the companies they control is instructive: Daimler-Benz, the motor manufacturer; Karstadt, Europe's largest department store group; Kaufhof, the country's second largest store group; and Hapag-Lloyd, Germany's largest shipping line. These are some major concerns in which the banks have a majority interest; the number of important groups in which they have substantial, though not controlling, interests is legion.

There are very few companies of any importance which do not have at least one banker on their supervisory board and the influence of the country's "Big

Three" commercial banks—Deutsche Bank, Dresdner Bank and Commerzbank—on the affairs of industry is truly extensive.

A finance director of a leading industrial group once told me: "It would be a foolish industrialist who wholly ignored his bankers' advice. Indeed, much of it is invaluable. Not only that, the advantages of our system is that one is guaranteed financial back-up during the downturns when one most needs it. It allows for a continuity of business policy that would be impossible under other circumstances."

Critics both at home and abroad claim that the commercial bank's industrial holdings, coupled with the "house bank" system which closely ties a company and its bankers, makes for virtually no competition in the corporate lending market. While corporate financial chiefs point out that they often play the banks off against each other, most would be prepared to

agree that competition is by no means as fierce as in Britain or the U.S.

There are many in Germany, however, who argue that without the universal system, and the commercial banks that form its backbone, there would have been no "economic miracle." Recovery would have been much slower if the banks had been unable to take participations in an industry stripped of both funds and much of its production capacity.

Indeed it is fair to claim that the industrial engagement was not actively sought, but rudely thrust on them. Many holdings were accumulated during the collapses which followed the two world wars, when shares lodged with them as security on loans were not worth the paper they were written on.

The banks' active role in rebuilding companies in those days have served them well in the days of post-war prosperity. Rescue bids have provided other large tranches of shares when the banks were the only investors prepared to subscribe to capital increases on terms which, at the time, could only be described as unfavourable.

Without the universal banking system, and the security it provides from a wide variety of profit centres, the growth of the commercial banks would have been much slower. The "Big Three" commercial banks are now near the top of the world league and, from a late start in the mid-60s, have become major forces in world banking.

The rise in the value of the Deutsche Mark against the other main trading currencies has certainly played a part in this. But the earnings derived from the diversity of their home operations have provided them with the wherewithal to build up strong overseas networks of branches representative offices and correspondents in a remarkably short time.

## GROWTH IN BUSINESS VOLUME

Institution	Size		Banks	Offices
	1960-70	1970-78		
%	%	DM bn	(No.)	(No.)
Co-op banks	320	217	200	4,896
Private mortgage	260	207	166	14
Foreign banks	—	192	35	51
Central co-ops	342	170	84	11
Landesbanks	280	189	328	13
Big Three banks	189	150	218	109
Regional banks	234	150	210	6*
Instalment Finance	140	147	38	na
Postal Giro	137	142	433	622
Savings banks	200	80	33	97
Private banks	167	78	124	17
Specialist banks	—114	53	95	26
Public mortgage	—	—	—	—
All banks	224	143	1,988	5,987

Source: Bundesbank monthly reports.

\* Includes Berlin subsidiaries.

Furthermore, the commercial banks are far from having it all their own way at home. The public authority banks and the co-operatives are muscling into areas that have previously been the commercial sector's preserve.

In the field of foreign banking, the Landesbanks and the leading co-operative banks are bidding for a growing share of a rapidly expanding business. While they have certainly not curbed the growth of the commercial banks' balance sheets, the competition they have been offering has produced howls of protest as well as allegations of "aggressive tactics" and unfair competition.

The commercial banks are themselves aggressive—as can be seen from their policy at home. The competition offered by the public and co-operative sector is, as much as anything else, a response to the inroads the commercial banks have

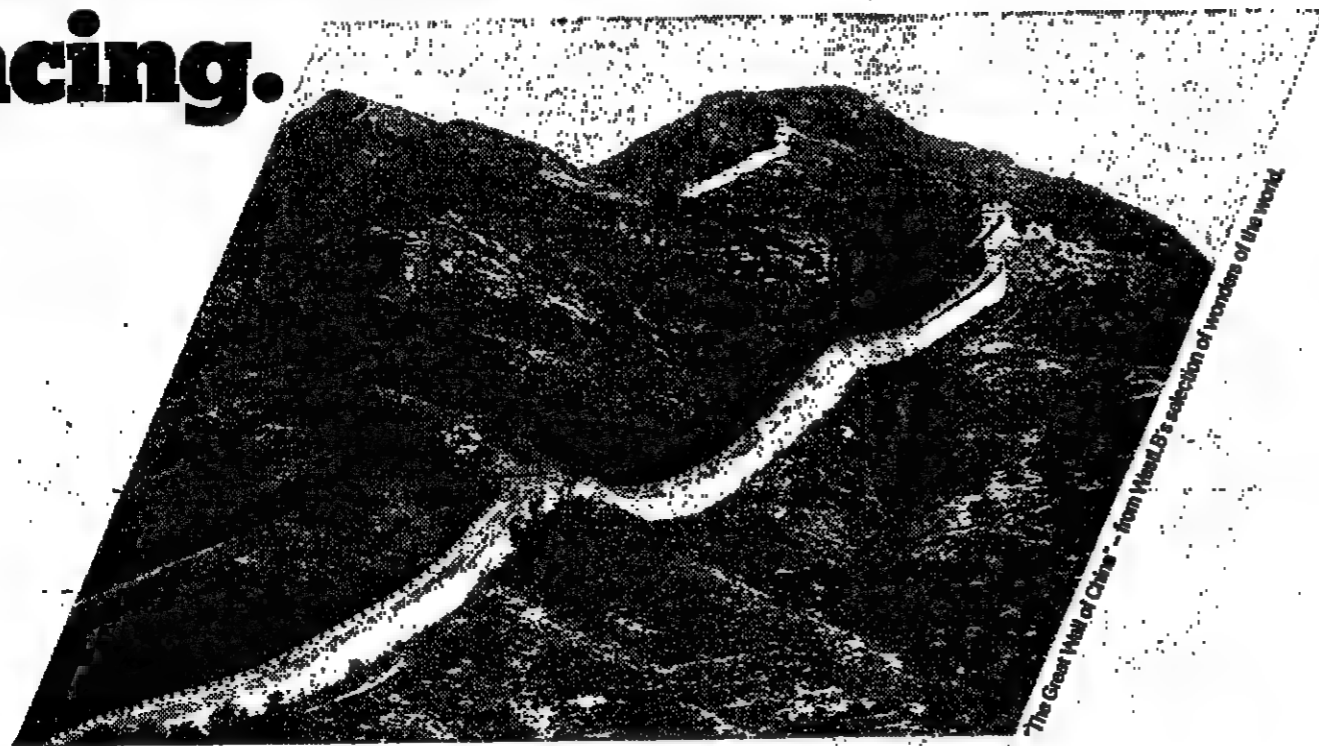
been making on their home bases.

Although dwarfed by the public authority banks and co-operatives in the branch banking sector, the commercial banks have for long been extending their branch banking networks. While still far behind with some 17,000 branches operated by the savings banks and the near 20,000 co-operative branches, their network is nearing 7,000.

Moreover, they are moving to the more attractive locations and grabbing a growing share of the most interesting clients—solid, small businessmen and the richer private citizens—with their offers of more sophisticated services. It seems difficult for them to complain if the co-operatives and public authority banks try to retaliate. After all, increased competition should please their critics as well as satisfy their own capitalistic souls.

G.H.

## International access provides important flexibility in domestic financing.



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## Savings banks a formidable force

### THE POWER OF THE SPARKASSEN AND VOLKSANKEN

	Savings		Banks	Offices
	Assets	deposits		
	DM bn	DM bn	(No.)	(No.)
Savings banks	433	246	216	622
Landesbanks	320	4	166	11
Credit co-ops	200	118	86	4,896
Central co-ops	84	—	10	12
Total	1,043	368	478	5,451
As a % of banking system	52.5	77.7	53.1	90.9

Over one year.

Source: Monthly report of the Deutsche Bundesbank

It is very difficult to borrow money to pay their bills before harvest time. So he set up a network of agricultural credit co-operatives which became known as "Raiffeisen." The first opened for business in 1865 in Neuwied. At roughly the same time Herman Schulze-Delitzsch (1808-83), an economist, conceived the idea of establishing urban credit co-operatives for the workers. These grew up in parallel, based on much the same principles as the agricultural Raiffeisen. The only difference was that they tended to be based in the urban areas and were known as Volksbanken.

## Barrier

Originally the savings banks or Sparkassen were open to everybody, whereas the mutual credit co-operatives only served their own members of which there are over 8m. However, with time this barrier has broken down, the agricultural co-operatives and the urban co-operative banks have moved closer together, and there is virtually no difference these days between the services offered by the savings banks and the co-operative banks. The only real difference is that the latter are owned by their members, while the savings banks are normally owned by the local municipalities.

Germany's savings banks organisation is a formidable force both in Germany and Europe. Westdeutsche Landesbank, the biggest Girozentrale, has assets of \$39bn, making it the third largest bank in Germany and the 13th largest in the world. The largest individual savings bank, the Hamburger Sparkasse, has assets of \$6.3bn which makes it nearly twice as large as the Bank of Scotland and puts it on a par with better known names such as the Bank of New York or the National Bank of Australia. There is roughly one savings bank branch for every 3,500 inhabitants in Germany and there are 62m savings accounts—more than the entire population of Germany. The savings banks account for over half of the country's savings deposits and financed more than half of all new homes in 1977. Add in the co-operative banks, which are effectively savings banks, and the figures are even more impressive. There are 4,890 local co-operative banks and 19,400 local offices—the most extensive banking network in all Europe. Altogether, the savings banks and the co-operatives account for over half of all German bank assets, over three quarters of all savings deposits and over 80 per cent of the country's bank branches.

G.H.



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# GERMAN BANKING V

## Co-operative banks set the pace

local co-operative bank in Germany is the fastest growing financial system. Offices throughout the country have far and wide extensive bank branches. Throughout the 1970s they have been steadily eating into the market share of the banks as a whole. Assets of DM 270m and whereas they are firmly rooted among agricultural and rural communities they now have a full range of bank services. A local branch is indistinguishable from a branch of a bank, for example, house mortgages, savings and the larger is the Frankfurt re members of the age.

Landesbanks and in general, the banks were rather on the interde. And whereas Landesbanks has national in its own co-operative banks have their international in the Deutsche Bank—DG Bank al bank of the banking system. weight of the banks behind it is nearly half its DG Bank has made quickly felt by its pursuit of interde. ing a relatively time overseas. DG transformed itself t five years. It had re in Luxembourg n the prime mover ng the London conk, London and

Size	Savings
deposits	
5bn	5bn
136.8	77.4
136.8	95.9
174.1	110.8
196.2	122.0
225.3	133.7
Bundesbank	

Continental Bankers, in the early 1970s. But its real growth followed the enactment of the DG Bank Law which became effective on January 1, 1976. This reduced its tax privileges but at the same time allowed it to do a much wider range of business. DG Bank did not waste time taking advantage. In a couple of years it had opened branches in New York and the Cayman Isles, an agency in Los Angeles, finance companies in Hong Kong and Amsterdam, a rep. office in Rio de Janeiro and a wholly owned Luxembourg operation in addition to its joint venture. It has taken stakes in a variety of other joint ventures, such as Frankfurt Bank and Bank Europäischer Genossenschaftsbanken in Zurich.

### Active

DG Bank has followed this up by pursuing a much more active role recently in the Euro-markets. Whereas it used to be Westdeutsche Landesbank that was being accused of pushing down spreads on Euroloans, rival bankers are now aiming these accusations at DG Bank. The bank's international side, headed by a former Dresdner Bank executive, Herr Gunther Schmidt-Weyland, has chased after new business and has become a very active manager and participant.

Its largest loan to date—for Electrobras, the Brazilian utility—underlines its aggressive posture. DG won the mandate under fierce competition and has syndicated the \$40m 15-year tranche at a spread of 1 1/2 per cent over Libor and the \$360m tranche of 12-year money at spreads of 1 1/2 per cent for the first six years and rising slightly thereafter. This broke new grounds for the sort of terms Brazilian borrowers can expect in the international markets, much to the chagrin of some of DG Bank's international competitors.

In the short term at least, DG Bank's aggressive pursuit of business is being done at the expense of profits. As the accompanying table shows, its profit record to date has been very patchy and the bank has had to rely on two outside in-

	Net profit	Taken to reserves	Available for distrib.	Group assets	deposits from co-op banks
	DM m	DM m	DM m	DM bn	DM bn
1972	71	n/a	n/a	18.5	n/a
1973	18	n/a	n/a	21.2	n/a
1974	29	10	19	28.8	11.8
1975	126	100	26	32.3	13.6
1976	59	30	29	37.8	12.7
1977	48	30	18	45.3	14.2
1978	n/a	n/a	n/a	52.3	n/a

jections of equity capital (in 1975 and 1977) to keep its balance sheet ratios in shape. At the moment it does not appear to be earning sufficient to self-finance its ambitious growth. In 1978 its group assets rose by 23 per cent, roughly twice as fast as the growth of the big Landesbanks. Meanwhile it has cut its dividend from 8 per cent in 1976 to 5 per cent in 1977, although because of the corporate income tax reform this nevertheless results in a higher net dividend for shareholders.

Like most banks intent on establishing themselves internationally in a hurry, DG Bank's progress has not been without its mishaps. Last year it was just about to launch a new financial instrument in New York, DM-denominated Certificates of Deposit, when the Bundesbank stepped in and said no. Similarly it got its knuckles rapped by the all-powerful German capital markets committee which forced it to postpone a DM 100m issue for the Republic of Austria.

There are various versions of what happened in both instances but it is clear that there is no love lost between DG Bank and the German financial establishment, which sees DG Bank starting to muscle in on its cosy world.

In many ways DG Bank is suffering from some of the problems that confronted the Landesbanks when they first started to move abroad. There is a certain amount of trial and error. So far it appears to have been reasonably successful in

establishing an international presence but it has done so at the expense of increasing its reliance on funds from outside the co-operative banking system (mainly through its Luxembourg subsidiary). At the end of the day the DG Bank is still the central institution for looking after the liquidity of the co-operative banks. At the moment the co-operative banks are net lenders to the rest of the banking system. But the day could come when they become net borrowers again.

W.H.

هكذا من العمل

## Deutsch-Skandinavische Bank

### Highlights 1978

in DM million	1977	1978	Increase
Total assets	1,025	1,355	+32%
Credit volume	559	766	+37%
Client deposits	158	282	+78%
Shareholders' equity	41	62	+52%

Major factors contributing to these results were:  
 • rapid growth in export-import financing and in medium and long-term loans to German and Scandinavian corporate clients;  
 • considerably strengthened foreign exchange business;

• further expansion of fixed-interest securities trading;  
 • increased activities in new issues.

Our Annual Report is available upon request.

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## Frustration for foreign bankers

IGN bankers agree Germany is one of the most frustrating posts. Republic may be a land of opportunity for a foreign bank, but a foreign bank's difficulties appear to be limited.

Frankfurt-based branch named things up: "It is to be different. There are wide ethnic differences between two countries. Of commercial and policies have to be put Germany seems like the U.S. They market economy—when you first get when it comes to free market exists."

not an uncommon Germany, for many bankers, is a place of es and shattered. But it is also the land for international

eral Republic is a place to work, and, subsequent careers the senior foreign have worked there, to survive have rosy emerge from West th one's confidence and one's balance ved seems to be the promotion.

erman Bundesbank clearly illustrate the banker's problems. y that while the ik's inter-bank credit use by 130 per cent past six years, non-t expanded by only t.

ts, figures for the an banking industry, show an inter-bank th during the period modest 103 per cent. her hand, credit to g customers went up der 75 per cent.

words, the foreign re of the corporate market—a far more one than inter-bank has fallen sharply. that, the number of banks with German as increased, and the try modest cake has s divided into many s.

ve the foreign banks in the European which has recovered st from the post-oil ssion? The root cause trouble is West s banking system. universal banking which allows the Republic's banks such ing breadth of oppor-radically limits the ank's possibilities. The

very close involvement of the West German banks with industry greatly inhibits the ability of the foreigners to compete. For instance, few corporate finance directors would consider it worthwhile to risk damaging their company's special relationship with their house bank by taking advantage of a credit package offered by a foreign bank, no matter how attractive or imaginative it might be.

Foreign bankers frequently claim that the reason for this is strong arm tactics by the West German banks. "These guys are under pressure," said an American banker of German corporate finance chiefs. "Sure they would like to take advantage of a really competitive package, but when the house bank—which is probably a shareholder anyway—says 'no,' that is the end of it."

Corporate finance executives see it rather differently. A number I have spoken to seem to agree that the usual choice of a German bank over a foreign one is a matter of prudence. German banks, runs the argument, tend to understand the needs of German industry rather better than the foreigners.

### Vagaries

This is not a simple matter of chauvinism. German companies, because of their relative independence of the vagaries of the stock market, frequently express the belief that they are able to take a longer term approach to business development and planning than many of their counterparts in other countries.

Continuity and stability tend to take a higher priority in the German corporate scheme of things than short-term financial advantage. The impression one gets is that continuity and stability, from the German finance chief's point of view, is more likely to be provided by a domestic bank firmly based on a good German soil than from a branch or even the headquarters of a bank based abroad, and subject to policy changes made by a management for whom the interests of a foreign company are worthy of only minor consideration.

This does not alter the belief of many foreign bankers that the major German banks are not above abusing the universal banking system to cut out competitors. Occasionally one hears examples of alleged abuses but firm evidence is very hard come by.

A leading Frankfurt banker said sometime ago: "In theory it is easy to abuse the system, but in practice it would be dan-

gerous for us to do so. In banking, a reputation for integrity is vital. There has to be a bond of trust between banker and client. It would be commercial disaster to be caught abusing it."

Another Frankfurt banker suggested that one of the reasons for the foreign banks' relatively dim performance here is a lack of initiative. "You cannot come to a foreign country and expect to find things just the way they are at home. The universal banking system offers a great deal of scope to everybody prepared to take advantage of it. The foreign bankers' opportunities may be more limited than ours, often by their own domestic regulations, but nevertheless there are still plenty of chances for the resourceful."

There could well be an element of truth in this. For instance, few of the foreign banks take advantage of the banks' ability to trade in the stock exchanges, as well as owning shares on their own account. On the other hand, as a senior American banker pointed out, the West German stock exchanges are very much more limited affairs than their Anglo-Saxon counterparts. Besides, American banks are restricted from running their own equity portfolios.

Like many of his colleagues, he does not accept the German bankers' criticisms. "We could increase our balance sheets in corporate lending but at a price which would not make it worthwhile," he said. "The problem is that, although there is definitely a market for it here, we are unable to do the business in which we specialise."

Most foreign bankers are agreed that increased opportunities will come about only with reform of the universal banking system. However, most are agreed that extensive changes in the system are unlikely.

On the other hand, one has to observe that there is no sign of a mass exodus of foreign bankers from West Germany. To the contrary the foreign banks appear to be becoming increasingly active and more are setting up shop in the Federal Republic every year.

Undoubtedly, there is cause for complaint, but it would seem there is also worthwhile business, albeit growth is slower than could reasonably be expected. It is difficult to sympathise with the view of the banker, who once said: "We exist over here solely by courtesy of the German banks."

C.H.

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DG BANK (DM billion)	1978*)	1977
Loans	20.9	18.5
Deposits	29.4	25.3
Total Assets	34.3	29.8
Business Volume**)	38.1	33.6
Consolidated Business Volume	57.1	47.0

\*) Preliminary figures  
 \*\*) Assets and contingent items

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## GERMAN BANKING VI

### LENDING TO MANUFACTURING INDUSTRY

(End-1978 (provisional) DMbn (excl. mortgage loans secured by property for industrial purposes)  
Fig. in brackets end-1977

TOTAL	Chemical Industry	Plastics Rubber Asbestos Processing	Quarrying Pottery Glass	Basic Metal Production Foundries	Steel Mechanical Engineering Vehicles	Electrical Engineering other Engineering and Metal goods	Wood Paper Printing	Leather Textiles Clothing	Food Drink Tobacco
129 (125)	12.1 (13.3)	4.8 (4.4)	5.3 (5.3)	16.3 (16.2)	27.8 (26.5)	22.2 (21.3)	13.4 (12.4)	11.3 (10.9)	15.3 (14.8)
63.8 (62.5)	4.9 (5.8)	2.5 (2.3)	2.4 (2.5)	7 (7.1)	14.3 (12.7)	11.2 (10.7)	6.4 (6)	7.1 (7)	8.2 (8.5)
12.3 (12.9)	1.2 (1.5)	0.4 (0.4)	0.6 (0.5)	2.2 (2.3)	3 (3.6)	2 (2)	1 (0.9)	0.6 (0.6)	1.2 (1)
52.5 (49.7)	6 (6)	1.9 (1.7)	2.3 (2.3)	7 (4.9)	10.5 (10.2)	9.1 (8.6)	6 (5.5)	3.6 (3.3)	6 (5.3)

Source: Deutsche Bundesbank

## Weighing the need for reforms

AFTER MORE than four years of work, an independent committee is almost ready to present its report on changes which might usefully be made in West Germany's banking system.

But even before its findings are disclosed two things seem certain. Those who feared that a Social Democrat-led government in Bonn might be tempted by the report to move towards state control of banking can rest easy. And critics of the famed German universal banking system, who were hoping for support from the committee for fundamental reform, are going to be disappointed.

The very composition of the committee, set up in 1974 by Herr Hans Apel, the former Finance Minister, strongly suggested that advocacy of revolutionary change was not to be expected. Headed by Prof. Ernst Gessler, a former department head at the Justice Ministry, the group includes figures from the main German

banking sectors, the Bundesbank, the supervisory authorities, the universities, Finance Ministry and the trade unions. Quite apart from this, the more extreme demands for reform which emerge from time to time tend to ignore not only the historical circumstances in which the universal banking system grew up, but also the likely chaos which would ensue if efforts were to be made to change it from the bottom up.

It is hard to imagine the take-off of German industry in the 19th century without the banks who, as one commentator put it, acted as a kind of "leader of the entrepreneurial spirit of the nation." They supplied capital, granted credit, helped ease the birth pangs of new industrial sectors—gave, in fact, a universal service under one roof.

It can fairly be argued that a further industrial take-off—recovery from the chaos of the 1930-45 war—also owed much to this same universal service. And those who survey the relatively strong performance of West German industry today

may well give a bank some influence over a business or industrial borrower. But it is unwise to assume that in practice the influence is automatic and one-sided. It has been well said that if a company owes a few hundred thousand Deutsche marks it may be partly in a bank's power, but if it owes a few million then the bank may be in the company's power.

The table shows that of a total of DM 492bn being lent by credit institutions to domestic enterprises and self-employed people at the end of last year, DM 129bn went to manufacturing industry. Much the largest single part of that went to the steel, mechanical engineering and vehicle building sectors. And it is worth asking how the steel industry would have weathered the recession had it not been for the part played by the banks. Might it not have come to even greater state influence in the branch, and to bills which finally would have had to be met by the German taxpayer.

There is a further essential point: that there is sharp competition not only between the different West German banking sectors but also within those sectors. At the end of 1977 there were about 6,000 German credit institutions—including among others more than 280 credit banks, about 83 savings banks and 4,800 cooperatives. This does not rule out dependence by an enterprise on a "house bank," but it suggests that the dependence does not have to emerge for want of alternative sources of credit.

Nonetheless, it is worth recalling some of the points made by the Monopolies Commission, an advisory body, in a report published in 1976. The Commission pointed out that banks naturally sought all available information on the creditworthiness of, among others, business and industrial clients and that as their information grew so did their competitive advantage over non-banks. There was, therefore, a long-term tendency, the commission said, for stakes in enterprises of above-average worth to accrue to the banks. Further, big banks tended to gain a competitive advantage over smaller ones.

It found from examination of the top 100 German companies (in turnover terms) that at the end of 1975 banks held stakes in 32 of them. A total of 22 of these involved holdings of between 25 and 50 per cent, but none was greater than 50 per cent. The commission complained that it did not receive full replies to its questionnaire on the involvement of banks in business and industry, but it disclosed that banking representatives held a total of about 1,400 company supervisory board posts, supplying the chairman in about 300 cases. And it estimated that of a total of more than 2,000 joint stock companies, a single credit institution held 50 per cent or more of the voting rights at 7 per cent of the annual general meetings.

Several of these topics were taken up in a recent interview by Dr. F. Wilhelm Christians, president of the Federal Association of German Banks and joint "spokesman" (in effect chairman of the executive

board) of the Deutsche Bank. Dr. Christians far from denied that the banks had influence, but he insisted that they did not hang on to the "Depotstimmrecht" simply because they loved to exercise power. On the contrary, four years earlier 850,000 customers affected by the "Depotstimmrecht" had been asked what alterations they suggested should be made in existing procedures. Two thirds replied and of those more than 80 per cent wanted no change.

Dr. Christians also stressed that bankers did not hold a majority on company supervisory boards—and were in any case representatives of different competing institutions. He also noted that inter-bank competition had grown so strongly in the past few years that there had been increasing pressure on profit margins as each institution tried to tempt customers with more attractive offers. Earnings from stakes in business and industry helped stabilise the banks' overall position. If the banks were forced to give up these holdings then the cost of customer services would have to rise too.

What then may be expected to alter as a result of the "Gessler committee" report? Despite the confidential nature of the committee's discussions, it is likely that its final recommendations will involve three main areas.

First, steps seem bound to be urged to have banks restrict the extent of their stakes in non-bank sectors. The Monopolies Commission urged that banks should not normally have more than five per cent of the equity of a company, and that if they did then they should not be allowed to exercise voting rights for that portion above five per cent. However, it is not only the banks which feel that the five per cent restriction is excessive, and it is felt that the committee probably will recommend a higher percentage.

Second, it is to be expected that the "Depotstimmrecht" will be retained—not least because many customers want it. It should be recalled that there are many small shareholders who would have no practical possibility of representation at annual meetings if it were not for the banks acting on their behalf. However, the committee may well argue that customer agreement on voting procedures should be sought more often by the banks in specific cases, for example when a merger is up for decision.

Finally, it is likely that the committee will urge that more information be made public about the extent of involvement by banking representatives in the supervision of non-banking enterprises.

This might prove to be the most useful step of all. It may well be true, as Dr. Christians has remarked, that nothing is worse than an indiscreet banker. But all bankers genuinely irritated by false charges about excessive and irresponsible use of banking power, surely have an interest in seeing the true position more widely understood.

Jonathan Carr

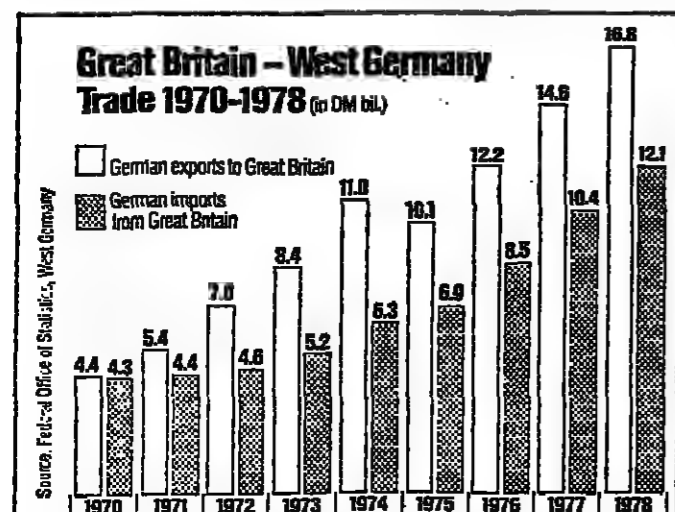
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Seld. But indirectly related to  
Herstatt are those provisions of  
the Banking Act amendment to  
ensure that the Supervisory  
Office and the Bundesbank gain  
more information, more quickly,  
about significant action by  
banks and their managers.

All banks must now draw up  
annual accounts within three  
months (and submit them for  
auditing within five months) of  
the end of the accounting year.  
Furthermore, auditors must at  
once report any sign of anything  
seriously untoward in a bank's  
business, even during the audit  
itself. Previously, they had to  
give such information only if  
the supervisory authorities  
specifically asked for it.

Under the amended Act, the  
Supervisory Office also has the  
right to order special audits  
without giving a particular  
reason—on a spot check basis as  
it were. The argument behind  
this provision is that an  
isolated audit in itself can  
affect the standing of a bank,  
even if the result finally shows  
the bank's business to be  
impeccable. Institutionalisation  
of the audit procedure would, it  
was thought, help remove this  
stigma.

Protection of deposits is not  
itself specifically regulated by  
the amended Act. The savings  
banks and co-operatives have

one scheme for such protection,  
the private banks another. But  
the Act does have provisions  
which support these efforts. For  
example, the Supervisory Office  
can call a moratorium for banks  
in difficulties—allowing time for  
efforts to overcome the prob-  
lems without immediate in-  
solventcy which could weaken  
confidence at home and abroad.

So far so good. The problem  
is that this carefully prepared  
and apparently effective legisla-  
tion can be partly circumvented  
because subsidiaries of German  
banks abroad can carry out  
operations beyond the reach of  
German banking supervisors.  
That does not necessarily imply  
that these operations in fact  
exceed the limits laid down in  
German banking law. But it  
does mean there is increased  
scope for a few "black sheep"  
—tempted by tougher interna-  
tional competition into  
over-reaching themselves—to  
start a chain reaction which  
would adversely affect the  
operations and standing of the  
solid majority.

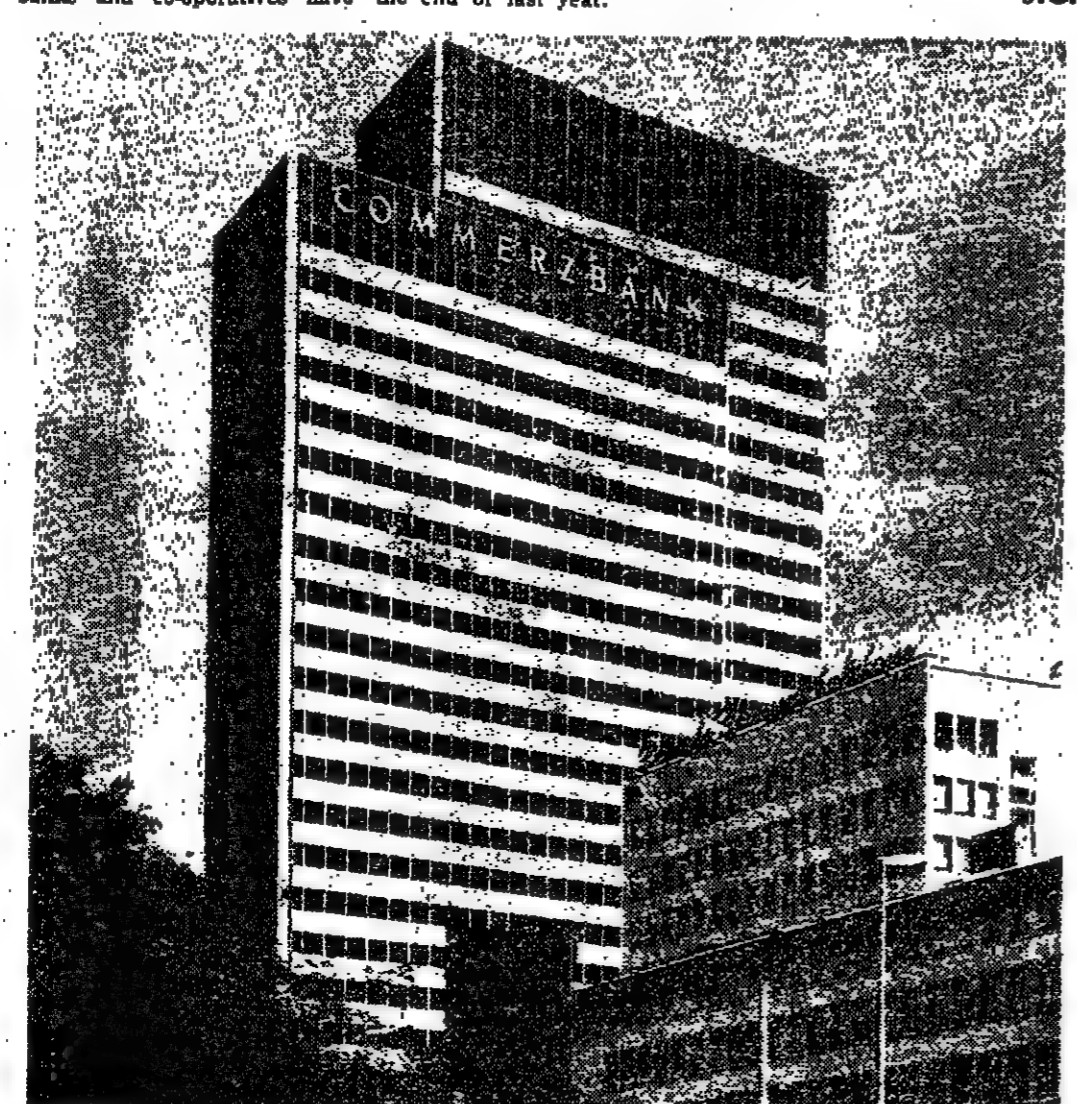
It is a matter of increasing  
concern to the German  
authorities who have watched  
the balance sheet total of the  
subsidiaries of German banks in  
Luxembourg alone grow some  
six times over since 1972, to  
amount to about DM 85bn at  
the end of last year.

The first part of the answer  
is to gain more information. A  
start has been made with the  
recent "gentleman's agree-  
ment" under which German  
banks have declared themselves  
ready to provide of their own  
free will additional details  
about the business of their  
subsidiaries in Luxembourg to  
the German authorities.

The second step would be  
further intensification of  
existing international co-opera-  
tion between supervisory  
authorities. This is not only  
possible but likely. However,  
a further problem has been  
underlined by the President of  
the Banking Supervisory Office,  
Dr. Inge Lore Baehre, to whom  
the last word (for the present)  
should be given.

"The fact remains that such  
supervision does not exist in  
all countries where interna-  
tional banking centres have  
developed. Some even take the  
view that by intensifying  
supervision... international  
banks will increasingly be  
"driven" to supervision-free  
areas. It is certainly a fact that  
there are banking markets  
today which only a few  
years ago... were considered  
"exotic" and were primarily  
distinguished by their attrac-  
tiveness to postbox firms."

J.C.



The headquarters of Commerzbank in Frankfurt

# damaging the system

few West German  
who do not respect  
any's universal  
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anks go, however,  
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ing continuous financial advice.  
It is rare that the "house bank"  
is not represented on the super-  
visory Board.

"In return, of course, the  
"house bank" has an unwritten  
claim on the lion's share of the  
company's banking service  
needs. This does not make for  
particularly keen competition in  
the corporate finance market—a  
point made particularly by  
foreign critics. But from the  
German corporate finance chief's  
point of view, it has its  
compensations.

## Dangerous

"It is very useful to be in con-  
stant close touch with your  
bankers," one said recently.  
"They know their business far  
better than you do and the  
'special relationship' means  
that they are much better placed  
to offer informed advice on a  
corporation's particular needs  
than the financial advisors called  
in 'cold' from the outside. If  
reform of the system means  
losing this relationship, it would  
be very dangerous."

Pressures from industry  
against change in the banking  
system, therefore, are to some  
extent based on fear of the  
unknown. Better the system you  
know than the one you don't.  
The real problems of achiev-  
ing any meaningful separation  
of deposit and investment bank-  
ing functions—on the lines of  
Britain and the U.S.—come,  
however, with the banks' mas-  
sive holdings in industry. It is  
impossible to assess the real  
size of these because the  
German banks are permitted  
what are called "hidden  
reserves."

"Hidden reserves" are the  
difference between book value  
and actual value of the shares  
and securities in a bank's por-  
tfolio. This difference can be  
very great. Some of the hold-

ings are written in the books at  
their value when purchased dur-  
ing the recession or at the end  
of World War II, when they  
were worth virtually nothing.  
Others are entered at nominal  
value.

While it is possible to assess  
the size of the banks' major  
holdings, smaller tranches do  
not show up. It is safe to say,  
however, that the banks, in  
their own portfolios and those  
of the investment trusts they  
control, are by far the country's  
largest investors.

A move to force the banks to  
divest themselves of substantial  
portions of their controlling  
tranches in individual corpora-  
tions—even over a long period  
of time—could well be defeated  
by the problem of who would  
buy them. The West German  
saver is relatively unsophisti-  
cated and extremely chary as  
well of industrial equity. There-  
fore there is little likelihood of  
them ending in the hands of  
private citizens.

An alternative, of course,  
would be the investment trusts.  
The catch is that a large pro-  
portion of the investment trusts  
are run by the banks. The  
question of divesting the banks  
of the investment trusts in its  
turn raises the question of who  
would then become responsible  
for the trusts' management. And  
would a change of management  
create problems of confidence  
among the investors?

A private banker once told  
me: "There is little doubt that  
if the banks were forced to  
divest themselves of a sub-  
stantial amount of their hold-  
ings, even within a five-year  
time scale, it would profoundly  
disrupt the German equities  
market for many years."

But anything less than a sub-  
stantial divestment of funds  
would be unlikely to change  
the banks' role. Their indust-

rial engagement would be  
hardly affected. Likewise, it  
would prevent any meaningful  
reform of the banks' stock-  
broking services. Even if the  
stock-broking operations were  
hived off the banks would be by  
far the newly created broker-  
ages' biggest customers and  
their influence would remain  
scarcely impaired.

The removal from the banks  
of the right to exercise the vote  
of shares deposited with them  
by customers could also cause  
problems. Here it is argued that  
it could create power vacuums  
which could be exploited by self-  
interested minority shareholders  
to the detriment of the company  
itself.

## Telling

But perhaps the most telling  
argument against major change  
in the universal banking system  
is that it would well lead to a  
greater Government involve-  
ment in industry, on Federal,  
State and local levels. This goes  
firmly against the philosophy of  
both the current Social Demo-  
cratic Government and the  
Christian Democratic opposition.

The ability of the banks to  
own large tranches of shares  
and their close involvement with  
industry has given them a strong  
interest in rescuing companies  
in distress. Rolls-Royce, had it  
been German, would never have  
been allowed to go bankrupt.  
The banks would have had no  
alternative but to save it.

A major change in the banks  
freedom to hold shares would  
not only restrict their ability to  
aid companies in distress; it  
would also act as a disincentive  
for them to do so. The burden  
would fall elsewhere and it is a  
prospect that few but the Left  
wing would relish.

G.H.

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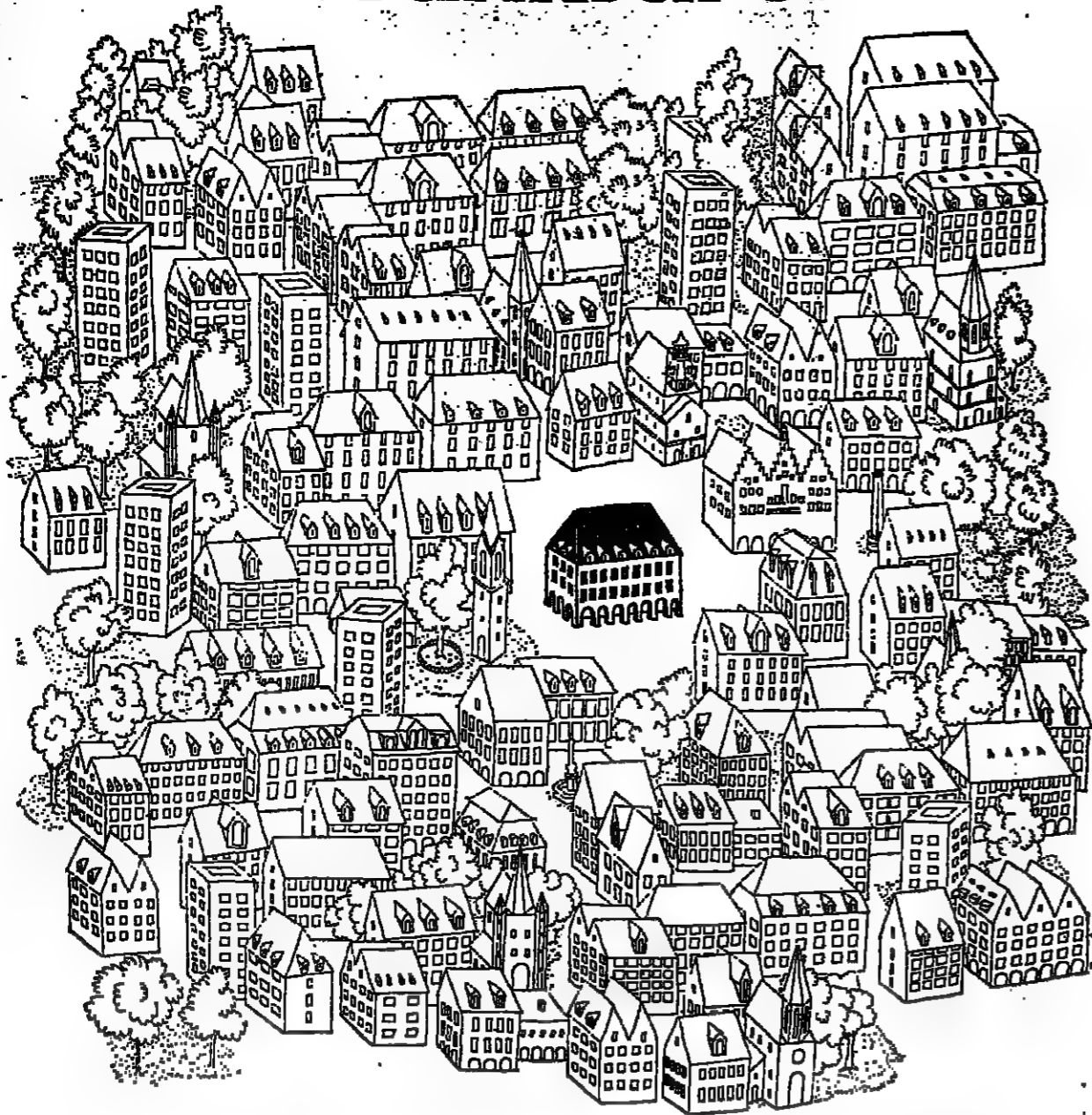
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## GERMAN BANKING VIII

# International shift in few hands

AFTER THE heady experience of 1978, when the D-mark was all the rage internationally, it is easy to overestimate the importance of international operations to the German banks. Although everyone expects the balance to continue to shift towards the international side—and, conversely, the German banks' share of international banking business to grow further—the rate of growth last year is unlikely to be maintained.

It is about ten years since the German banks started to build up their international operations in a big way. But even now only about five of them (notably Deutsche Bank, Dresdner Bank, Commerzbank, WestLB and Bayerische Vereinsbank) owe a third or more of their earnings or balance sheet assets to this aspect of their business.

Even with full consolidation of all their foreign subsidiaries and affiliates it is doubtful whether any of them derives as much as half of its earnings from abroad.

This is a far cry from the peak of 82 per cent of earnings attributed by the American Citibank to foreign business in 1977 (a proportion which fell back last year to the 1976 level of 72 per cent).

Moreover, although Germany's banking system with its large regional savings banks and big cooperative movement is very diffuse, the build-up of international operations has been heavily concentrated in the hands of a few banks.

The unfortunate experiences of Hessische Landesbank's international forays in the early 1970s certainly deterred some, while a build-up of foreign business by banks which hitherto have trodden cautiously is likely to be the big feature of the next few years. There are banks which decided to develop internationally some time ago but which even now derive only 15-25 per cent of their earnings or balance sheet assets from abroad.

Also, the nature of the German banks' international operations is very different from those of U.S. or Japanese banks.

### Advantage

German banks combine size with experience in investment banking. They also have the advantage that the second most important international currency after the dollar is their own. It is this which has given them an edge over their closest competitors in the international bond business: the Swiss banks.

In 1978, their position in this area reached a peak when more long-term fixed-interest money was raised internationally in D-marks than in dollars.

The question of surpluses provides the other big distinction between the German banks and their Japanese and U.S. competitors. In both of the latter two groups the vast bulk of international business is conducted in dollars. The Germans, however, have continued to do much of their international business in D-marks.

Although the proportion has been falling, it is arguable that about half their total foreign business is denominated in D-marks, including a very big proportion of their commercial lending outside Germany.

It is significant that in Luxembourg, where the bulk of their international lending has been concentrated until now, and where over a fifth of the hundred-odd banks are German-owned, close on half the banks' assets are denominated in D-marks. In Luxembourg, the D-mark has a bigger share of business than the dollar. (On average internationally, the D-mark accounts for about 15-20 per cent of total Euro-currency business.)

The fundamental reason for the D-mark's importance in

international commercial banking is that Germany's trade traditionally has been denominated in D-marks. This position is in sharp contrast to Japan, the vast majority of whose trade is denominated in U.S. dollars.

Even in the last year, when foreign buyers of Germany's capital goods might have been expected to demand that they be billed in the weakening dollar rather than the appreciating D-mark, it seems that German companies and banks largely managed to hold the line.

Germany's exports are now larger than those of any other country, and this clearly has been a big factor in the growth of the D-mark's international importance.

A change in the method of financing German exports has greatly increased the significance of this from the point of view of the German banks. The main method of financing German exports was traditionally suppliers' credits. However, in the past couple of years there has been a sharp change, and buyers' credits are now the main technique employed.

For the German banks this change has meant a switch in the direction of their lending from domestic corporate customers to foreigners.

Among the factors precipitating this change in technique were the increasing strain being felt by German companies at having to carry the cost of capital cover for the borrowing and lending involved in this business and increases in the liquidity of the German banks which were thus looking for new areas of business.

There were also technical changes to the German export credit guarantee system, which were a prerequisite to the shift from suppliers' to buyers' credits.

For the German banks the change meant a once-and-for-all jump in their international lending at the expense of their domestic lending. But the psychological impact may have been even more important than the figures.

With the exception of the bond department of Deutsche Bank, and the foreign exchange departments, financing German exports was really the sole international involvement of German banks until this decade.

Even now it is by far the most important part of the German banks' commercial lending abroad. For a big chunk of this business to be transformed from basically domestic to basically international lending clearly could have a big impact on the way the German commercial bankers think.

Nevertheless, a lot of German bankers remain cautious about moving into what they term "purely financial" business. The major change here may be provided by the pressure from German banks which have had less international involvement until now.

On the question of moves into

the international arena by the smaller German banks, one of the best-established big banks comments that it thinks it would have great difficulty in breaking in since relationships with most borrowers and investors had already been built up by the big German banks.

The recent move by DGB to arrange a loan for Bial's Electrobras which is not tied to a project involving German experts and which at record low margins, may well point the way to a future trend. And if the second-line German banks decide to cut charges and arrange "financial" loans as a way into the market, then this will put pressure on the bigger German banks to follow.

As far as the German banks' operations are concerned, the big change in last year was a shift from Luxembourg to London. German banks used Luxembourg as their first foothold in the Euro-markets largely because it was close to home both geographically and in terms of language and culture. It is only recently that they have established themselves in numbers in London.

One pressing reason why they needed London operations was that they could establish branches there—in Luxembourg they mainly have subsidiaries. Some major depositors, especially in the Middle-East may well not be prepared to place funds with a small Luxembourg bank, however august its parentage. London also has big tax advantages over Luxembourg.

Another major development last year was agreement between the German banks and the German banking authorities on reporting arrangements for their Luxembourg operations. In its final form, the agreement technically covers all the German banks' foreign operations, not just those in Luxembourg.

Given the overwhelming importance of Luxembourg to the German banks' external operations, it was these operations that the German authorities were fighting to get information on. But it would have been invidious to Luxembourg's independence for operations in the Grand Duchy to have been singled out for supervision.

In its initial form, the agreement (which was reached after years of haggling) required the Luxembourg subsidiaries to report general data to the German authorities in the direction of their "business" matters. In no circumstances are details of lending to any individual borrower to be passed back.

The German authorities are known to be dissatisfied with the agreement. But it is not clear yet whether this dissatisfaction, or wider moves by central banks generally to seek consolidated data from parent banks under their control, will result in concrete measures.

Mary Campbell

## 75 of the top 100 companies in Germany do business with us.

1st Place	2nd Place	3rd Place	4th Place	5th Place	6th Place	7th Place	8th Place	9th Place	10th Place
1978	1977	1976	1975	1974	1973	1972	1971	1970	1969
1. Volkswagenwerk	2. Siemens	3. Bosch	4. Thyssen	5. BASF	6. Hoechst	7. Daimler-Benz	8. Linde	9. Mannesmann	10. Opel
11. Continental	12. SAP	13. Hoechst	14. Thyssen	15. BASF	16. Hoechst	17. Daimler-Benz	18. Linde	19. Mannesmann	20. Opel
21. Volkswagenwerk	22. Siemens	23. Bosch	24. Thyssen	25. BASF	26. Hoechst	27. Daimler-Benz	28. Linde	29. Mannesmann	30. Opel
31. Volkswagenwerk	32. Siemens	33. Bosch	34. Thyssen	35. BASF	36. Hoechst	37. Daimler-Benz	38. Linde	39. Mannesmann	40. Opel
41. Volkswagenwerk	42. Siemens	43. Bosch	44. Thyssen	45. BASF	46. Hoechst	47. Daimler-Benz	48. Linde	49. Mannesmann	50. Opel
51. Volkswagenwerk	52. Siemens	53. Bosch	54. Thyssen	55. BASF	56. Hoechst	57. Daimler-Benz	58. Linde	59. Mannesmann	60. Opel
61. Volkswagenwerk	62. Siemens	63. Bosch	64. Thyssen	65. BASF	66. Hoechst	67. Daimler-Benz	68. Linde	69. Mannesmann	70. Opel
71. Volkswagenwerk	72. Siemens	73. Bosch	74. Thyssen	75. BASF	76. Hoechst	77. Daimler-Benz	78. Linde	79. Mannesmann	80. Opel
81. Volkswagenwerk	82. Siemens	83. Bosch	84. Thyssen	85. BASF	86. Hoechst	87. Daimler-Benz	88. Linde	89. Mannesmann	90. Opel
91. Volkswagenwerk	92. Siemens	93. Bosch	94. Thyssen	95. BASF	96. Hoechst	97. Daimler-Benz	98. Linde	99. Mannesmann	100. Opel

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## BfG-Bank für Gemeinwirtschaft

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# Forcing the pace on Prestel

IT OFFICE'S announcement at a public Prestel starts today is us, but for the most part, it is not.

The new television on service will not be able to more than a v, because the specially receiving sets needed into it are not being used except in products. Mass production sets will not start this year and possibly next.

The Post Office's demand for Prestel's inquiries are likely to be an embarrassment from shops and manufacturers.

Other hand, it is hard to see the Post Office for its world to consolidate its world. It believes has a very potential for information in the world and eventually on of ordinary homes. Office is also anxious the pace of development so that it will be elsewhere in the U.S. to rival systems pressed hard by the and the Canadians.

## t system

is the first electronic system to be connected to a national scale. It connects a modified telephone network to office computer system stores hundreds of thousands of pages of information. The information includes statistics and news, sport, advice, entertainment and guides. Indeed, almost all information now published in magazines or newspapers, in principle, can be stored in Prestel computer system

and flashed onto the television screens of subscribers.

This electronic method of publishing has many advantages over the printed word. First, it gives the user access to a very large library of information. Without moving from his desk or living room, he can inspect any page he wishes by pressing a few buttons.

The user pays a local telephone call charge plus 2p a minute for the time he is connected to the computer. He also pays a charge displayed at the top of each page which may be levied by the provider of the information. This varies from zero (in the case of advertisers or public bodies for example) to perhaps 5p or 10p for business and financial information thought to have a special market value.

The second major advantage of electronic publishing is that the information stored in the computer can be continuously brought up to date. Share prices, advertisements and timetables, for example, can be altered daily or even hourly by an operator with a simple keyboard.

Thirdly, the system is "interactive." That means it not only sends out information but it can receive messages from the user and can respond to them immediately. For example, a user can play games and quizzes with Prestel. He can answer questions about his personal finances, which will enable the computer to calculate mortgage repayments or income tax. The user can even make purchases in response to a Prestel advertisement by punching in his credit card number, which will then be forwarded automatically to the advertiser. Theoretically, he can even make purchases in response to a Prestel advertisement by punching in his credit card number, which will then be forwarded automatically to the advertiser. Theoretically, he can even make purchases in response to a Prestel advertisement by punching in his credit card number, which will then be forwarded automatically to the advertiser.

All these possibilities have been demonstrated on the test service of Prestel now in operation. They clearly open up

major new opportunities in at least four separate fields in business, public information, consumer and classified advertising and education.

However, as the British have found to their cost in the past, there is a great difference between a new invention with brilliant possibilities and the solid achievement of commercial success. Few people now doubt that electronic information systems of the type pioneered by Prestel (generally called Viewdata) will sweep across the developed world, just as the printed word did after William Caxton's invention.

## Whose profit?

But when, with what system, and to whose profit? These are the key questions currently being studied by the Post Office and its rivals in France, Canada and elsewhere. Prestel is now accelerating towards take-off: the Post Office has courageously decided to use full throttle with an investment of £23m for computer centres in nearly a dozen major cities. It has been remarkably successful in collecting more than 150 organisations which will supply information in nearly 200,000 pages. The investment by these information providers will probably reach around £4m in the current year.

All this money and effort may well launch Prestel as a world-beating system with substantial benefits to the Post Office, the set makers and to other sections of the electronics industry.

But the margin between success and failure is narrow: and if Prestel should fall through bad pricing policies, technical difficulties or public apathy, the lead will almost certainly be taken by someone else. The Post Office suffers from the disadvantage of all pioneers in that those which follow its lead will profit by its mistakes and aim to come in later with a technically superior system. Both the French system, Teletel, and the Canadians' Teletel and Vista-

still in the experimental stages — are aiming to provide a more sophisticated, responding system and better graphical display.

Prestel's great advantage is that it already exists. Without doubt, part of the Post Office's reason for announcing a public service from today is to underline the fact to an international audience.

Its other motive is to put pressure on the set-makers to move ahead as fast as possible towards the mass production of Prestel receiving sets. Without mass production, sets cannot be priced low enough for the consumer market and, indeed, may not be available in sufficient numbers for the business market.

And without enough users, Prestel would be in danger of becoming, quite rapidly, a dead duck. The reason is that Prestel was conceived from its start in the early 1970s as a mass information system. It was planned to be about a tenth of the cost of more specialised computer information systems because it would use the existing telephone network and hitch onto the mass production techniques of television set-makers.

The economics of Prestel, therefore, are dependent on achieving a large number of customers in as short a time as possible. Hundreds of thousands of micro-circuits or "chips" which have to be added to the television sets must be made each year to reap the full benefits of economies of scale. The set makers need a market of a similar size if they are to recoup the cost of production lines devoted to Prestel receivers. The information providers also need a large base of users if they are to recoup the costs of gathering their information, as well as the annual £4,000 flat fee plus £4 per page a year which they pay to the Post Office for "Class A service."

Information providers are therefore faced with the familiar

chicken-and-egg dilemma of any product marketing a new product: should they put a low price on their pages of information in the hope of stimulating market demand, or should they plan for a small number of users at a relatively high price?

The information providers cannot, however, make their decisions in isolation. They are locked in to the pricing policies of the other two partners in the system, the Post Office and particularly the set-makers. Certainly the current price of sets at about £1,000 is much too high ever to stimulate a mass consumer market. This price will certainly fall, but how fast and how far?

Mullard, the component subsidiary of Philips, expects that by 1983, the complete electronic components package for Prestel, including remote control and digital tuning of the television set, will be available to set makers at around £32, thus making the Prestel TV set only marginally more expensive than a standard colour set. But this price will depend on the existence of a large market in the upper hundreds of thousands, perhaps even 1m Prestel sets a year. Will set makers risk the investment needed to create a market big enough to sustain the forward impetus of Prestel into this era of mass communications?

## High prices

Or will they play it too safe, with high prices which deter all but the business users and a comparatively small number of individual rich consumers? In that case there would be a risk that the system would start in contraction before it could reach the critical size beyond which growth would almost certainly be explosive.

So what is the critical size which Prestel must achieve to ensure its future? The answer is that there are probably two critical sizes for two separate phases of its expansion. The first



phase will be the penetration of the business market where the cost of sets and the price per page are likely to be of much less importance than that which businessmen attach to receiving accurate and immediate information. Even in its high price flow volume phase, Prestel will be very much cheaper than most competitive computer information systems. It is generally thought that a healthy business service would operate on Prestel with as few as 100,000 terminals in use, though much will depend on the intensity with which they are used.

Business information provided by several organisations — including Fintel, the joint venture between the Financial Times and Emtel, the Exchange Telegraph financial news agency — is at present being priced at around 5p to 10p a page, but for the consumer market, prices may need to be lower. Even if the non-business information is cheaper to collect (and some of it will be free), a much larger number of users will be needed to make the system economically attractive.

Dr. Alex Reid, director of Prestel, believes the take-off point for a consumer-oriented service will be somewhere

around 1m subscribers, with perhaps 1m pages of information stored in the system. He is certainly determined not to stop with a small circle of business users. When the final plans for the test service were being laid in May 1978, he said: "Our aim is to produce a cheap and universal means of electronic publishing, comparable in scale to radio, television or the Press." Now he is discussing plans to invest as much as £100m over the next five years in a national computer network needed to serve an expanding system.

The Post Office is also considering whether to make a direct assault on the problem of reducing the cost of the Prestel terminal by providing its own adaptors, costing as little as £50, which would plug into the aerial socket of an ordinary television set.

The Post Office is now inviting tenders for this equipment, but if it decided to go ahead with an adaptor of its own, it would be risking a clash with the set makers on difficult and dangerous ground. The set makers are certain to protest at the idea that the Post Office's

monopoly powers should be allowed to make a direct competitive thrust into the territory of consumer electronics. Against this, the Post Office will say that it must be allowed some leverage over the pricing of such an important element of its system.

For the Post Office speed is all important if it is to consolidate its position in Europe and to break into America. So far the basic Prestel system has been accepted in Germany and Holland, but the French system is so different that it will not work on Prestel sets. INSAC, the National Enterprise Board's computer software marketing subsidiary is believed to be close to agreement with a major U.S. company, rumoured to be General Telephone Electronics, for the development of a system similar to Prestel. If Prestel can be sold widely abroad, a large market to support the manufacture of cheap chips and cheap receiving sets could be opened up for British manufacturers.

Even in France, it is thought a private company might operate a Prestel system. But if Prestel does not dominate Europe then as has happened before some other system will. Perhaps the French.

## Letters to the Editor

### volatility markets

to Economic Adviser & Co.

suppose the first point to Michael Posner is that the volatility sets, or an eastern as he puts it, is not a reflection of the as of new business in. Big price movements in the relatively small volume which has been London gives further y to the suggestion that national investor is an important part non-fictional source of new ke the elusive Scarlett 1, however, some ave problems in track-down.

is no need to suppose, mer suggests, that the or corporate profits is r after recent oil price is an improvement in directly concerned with monetary factors. ore important is the vidence, since January, ange rate gains in the urrencies—the German las Franc and Japanese 1 not be features of national market scene e higher than inflation-entials. In fact, inter-olities of many central ad operation of the monetary system, may change rate movements be below inflation rentals, at least for a

he best clue of market I can offer is that cur-ritance in forward becomes significantly able than it has been banks arranging indus- commercial needs. In this change should prove unwinding of "leads" ga" in overseas pay- usually estimate these 1 a range of £8bn to or the UK from my knowledge and expe- versens trade, although itudes of "swaps" out- at the Bank of England ved to be significantly than this total. The as of forward markets much more research i collection as they are flection of economic today. "Leads" and for example, play a cat use game with estimates is of loanable funds; and investment, which own the attention of Warwick and Anthony n your columns recently, "leads" and "lags" of the items which cor- estimates of inflation treasury. It continues to dent, although difficult e, to say the inflation/ e rate ratio is 1 to 4, own.

ng ahead, this pause in y markets provides a relief for particular nents to sort out their ic, monetary and fiscal, which in many parts of rld, have been in such / since the first draconian ation of Petroleum ng Countries price in November 1973, y judgement, emerge of political strife any parts of Africa dle East, even in Europe we an important part of ight to the swell of inda- ftermath of oil and other dity price rises.

But, from first principles, I am still unable to distinguish at grass roots any real adjustments to help relieve unemployment and save expenditure on materials. We are using more all the time. Higher levels of Government spending as Milton Friedman confirmed, is not the answer to these problems. There continues to be an urgent need to switch emphasis away from consumption of energy and material-intensive goods — like space heating and steel-related products. Until this happens economic policies and markets will continue to be vulnerable to erratic movements of overseas trade deficits and Government borrowing levels.

Therefore, the questions I put to Mr. Posner are — what are the universities and research institutes doing to re-direct our economic and political thinking towards low energy/materials and high labour outputs of industrial products and services? Three important industries appear to me to be leisure, micro-electronic applications and metropolitan conservation: how do we raise the significance of "quality outputs" in quantity outputs? In measures of Gross National Product so that growth and change can be experienced without higher materials consumption; and how do we convince organised labour that these changes of emphasis in output and employment, accepted speedily and without Luddism please, are for the benefit of all to ensure the confidence of working and living today do not become even more severe?

A. G. Horsfall, 25 Worship Street, EC2.

### Local authority audits

From Mr. R. Jones

Sir,—Cheshire County Council seems to me to be setting an extremely dangerous precedent in allowing local industry to finance a "value for money" inquiry. The logical conclusion of its action is that every ratepayer's association, trades union, debt collection agency, property developer, newspaper or indeed anyone else, including public interest research centre, can commission an audit of the local authority's affairs solely on the basis of whether it can provide the necessary cash. For how could Cheshire now discriminate between these pressure groups? Could it be seen to be neutral as between each one without appearing to each one commiss- sioning its own "independent" audit?

Anart from the sheer inefficiency that would result from having scores of management consultants all over the place, how could that authority protect "sensitive" information like ratepayers' credit ratings or even, more simply, their addresses? A contract with consultants about non-disclosure of information, however rigorous, is no substitute for direct control of publicly available information.

And, indeed, why stop with local authorities? Could the Government reasonably exclude these same consultants from auditing its activities, assuming the CRI offered to finance must be that if the county councillors of Cheshire do not feel willing to pay the price for an independent audit then it should not be commissioned. A major function of

local authorities has always been to provide services without reference to ability to pay: providing information is no less a service, in this respect, than any other. Rowan Jones (Lecturer), Department of Accounting, Mithral Tower, Ring Road North, University of Birmingham, P.O. Box 363, Birmingham.

## Who pays for training?

From Mr. E. Whitting

Sir,—Michael Donnan (March 13) on "The scarce pilots" was discussing not an isolated phenomenon, but a rather extreme case of a general problem. Previous articles in your paper have referred to various skill shortages and we have now reached the point where any skill which has to be taught in some measure by the employer at his expense is in short supply. One can list for example—as well as airline pilots—computer programmers, systems analysts, electricians, instrument fitters, coaches, draughtsmen, designers, engineering technicians, and machinists of various kinds.

The Air Transport Training Board has pointed out the illogicality of some vocational training (including practice on the job) being financed by Government grant and other training having to be financed largely by the employer. Occupations which are totally Government financed are generally those leading to a vocational degree or professional qualification (such as doctor, dentist, or architect) which is accepted by the employer as total proof of ability and competence. In these occupations there is no shortage.

In most of the occupations where there is a shortage, training by an outside agency would not be proof of a sufficient competence. The Manpower Services Commission has tried with its SkillCentres and TOPS courses to train unemployed people for these shortage occupations but with only limited success.

We have heard many times that the best place for a skilled person to be fully trained is on the employer's premises: provided there is sufficient provision and facilities. Here the newcomer can be taught procedures, the system, and lines of responsibility as well as the particular application requiring some of the skill or ability which he or she brings. In the shortage occupations even a perfect outside training course would rarely be sufficient to relieve the employer of all cost. There would always be some cost (in some cases quite considerable) of inducting the new person into the job, adapting to the system of the employer and waiting, while still paying a normal wage or salary, until the person achieves a normal level of productivity.

Hence employers, largely in order to avoid the costs of their own training and induction, bid up wages or salary. If they can, for experienced people (also there is less risk if the experience they are buying is to some extent guaranteed). And so we have a vicious circle of employers reluctant to train high employee turnover due to other employers offering higher salaries, and general skill shortage.

The solution must be for all employers who undertake train-

ing and bear the cost of substantial "efficiency recovery" (i.e. waiting for normal output to be attained) to be financed from public funds. This has been tried with the grant and levy system of pre-1974 training Boards, but I believe that a much broader approach is required where a simple block grant would be given to cover inductees as well as the efficiency recovery costs in particular occupations. Doubtless there would be form-filling and inspections, but helpfully carried out much more cheaply than university examinations!

In this way on-the-job training could compete for funds on an equal basis with academic training. Internal training (by the employer) would rank the same in status as external training. The efficiency of the labour market would be increased as there would be less interposition of training agencies between supply and demand.

If we could rationalise the financing of vocational training (in its widest sense), we could make a considerable impact on our three major problems of lack of design capability, low productivity, and unemployment.

P. A. Whitting, Lecturer in Management Control, Manchester Business School, Booth Street West, Manchester.

## Harmonisation of accounts

From Mr. E. Proddman

Sir,—In the wake of accounting standards, national and international, would it not be a good idea to have a common accounting year for all firms, in the UK to start with? Comparability will definitely be improved: investors would know which company in which sector is doing well, and all will be judged against similar environmental factors. Bim Proddman, Lecturer in Finance Management, Strathclyde Business School, 130, Rottenrow, Glasgow.

## The death of Walter Legge

From Lord Donaldson, Sir Isaiah Berlin and Sir Claus Moser

Sir,—In the sad absence of the obituary page of The Times, may we record in your columns how much British music owes to the activity over more than 50 years of Walter Legge, whose obituary you printed on Saturday last (page 16).

In the 1930s, his marvellous "Society" records, the Beethoven Sonata Society, the Haydn Quartet Society, the Sibyllus Society, the Hugo Wolf Society and many others, set new standards of recording classical music. His founding of the Philharmonia Orchestra and Chorus, his prodigious knowledge of opera and singers and his ability to recognise talent, added greatly to musical life in Britain.

He trod on a great many toes, but in part this was due to his unswerving pursuit of the first rate, and undisturbed contentment for anything that fell below it. Donaldson, Isaiah Berlin and Claus Moser, House of Lords, SW1.

## Today's Events

### GENERAL

U.K.: National Federation of Building Trades Employers ready to construction unions pay claim.

Mr. Richard K. Banks, U.S. Director of Maritime Affairs, and Mr. Hallvard Bakke, Norwegian Minister of Trade and Shipping, are among speakers at sea trade money and ships conference, London.

Overseas: EEC Agriculture. Ministers meeting in Brussels discuss monetary proposals and proposed 1979-80 price freeze.

EEC Energy Ministers meet in Brussels.

### PARLIAMENTARY BUSINESS

House of Commons: Debate on Defence Estimates continues. Remaining stages. Public Health Laboratories Services Bill (Lords).

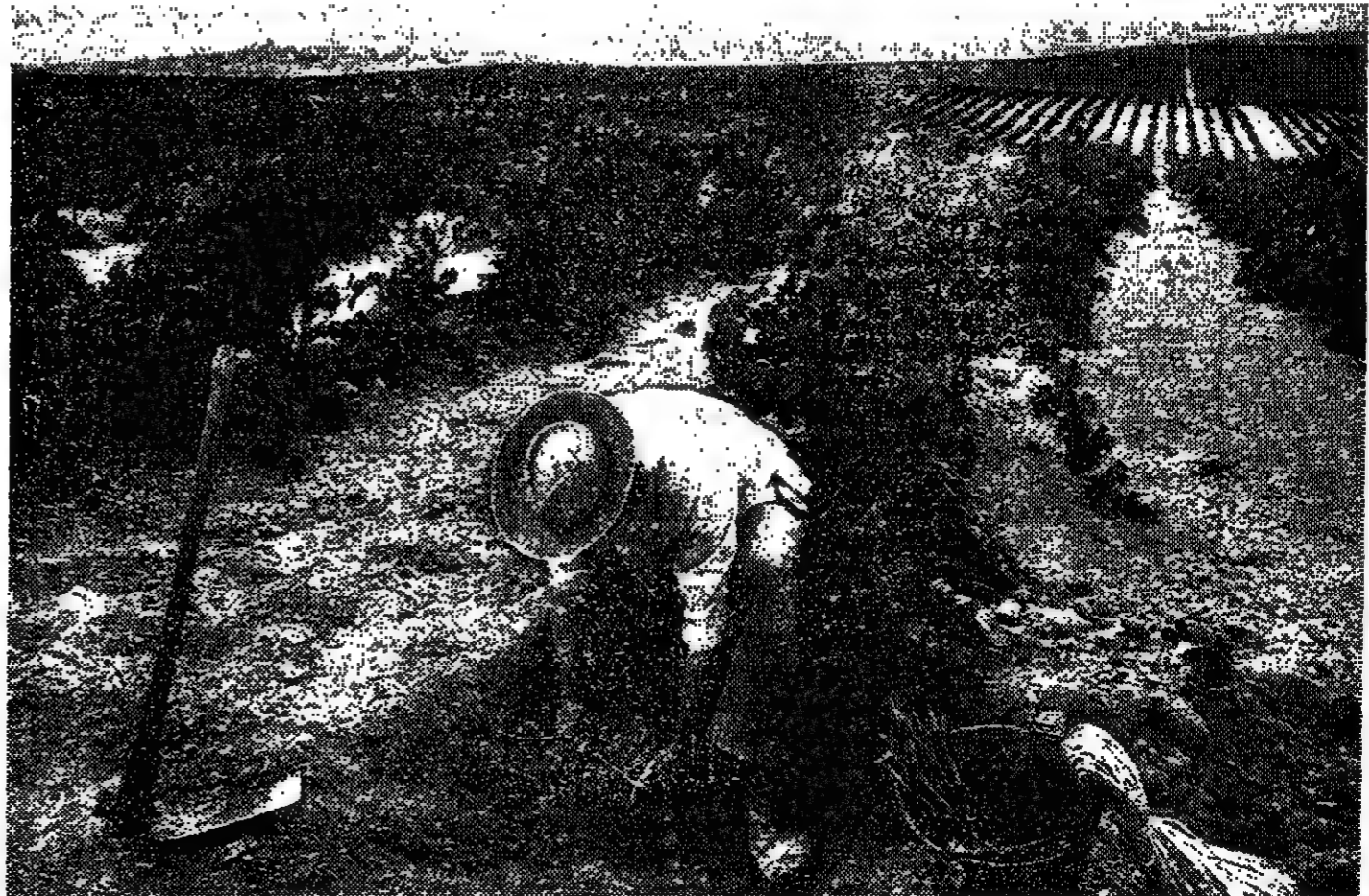
House of Lords: Ancient Monuments and Archaeological Areas Bill, third reading. Nurses, Midwives and Health Visitors Bill, report. Direct Labour Accounts Bill, second reading. Shops (Sunday Trading) Bill, committee. Short debate on JET project. Select Committees: Expendi-

ture Social Services and Employment Sub-committee: Subject: Perinatal and Neonatal Mortality. Witnesses: Regional and Area Health Authority representatives; consultants, GPs, and senior midwives. Cophorne Hospital, Shrewsbury, 9.30 am. Joint committee on statutory instruments, Room 4, 4.15 pm.

COMPANY RESULTS Final dividends: Appleby Group of Companies, APV Holdings, Bestwood Company, Brent Chemicals International, Brooks

Group of Companies, Equity and Law Life Assurance Society, Gibbs and Dandy, United Newspapers, Wace Group, Zenith Car-burettor Company, Interim dividends: City and International Trust, Henshaw (Furniture Trades), Lucas Industries, Rimmer Consulting Engineers, Interim figures: Centrovital Trust, Emray, West of England Trust.

COMPANY MEETINGS Crest Nicholson, Ashley-Park Hotel, Walton-on-Thames, Surrey, 11-1 and R. B. Jackson, Hotel Leatrice, Coventry, 3. Vantage Securities, 7 Lincoln's Inn Fields, WC, 12.15.



## The Palomino Vine. Where craft and nature combine to make a classic sherry.

Without the vine there can be no grapes. Without the grapes there can be no sherry. The tending of the vines is therefore the very basis of a classic sherry.

Centuries of experience have developed the craft of viticulture in the hills around Jerez into an art. Grafting, pruning and training the vines all play their part in aiding and abetting nature to produce the finest sherries. Only in this way can the special character of the native soil and the unique ripening power of the Spanish sun fulfil their promise of classic sherries to come.

Time too has a role to play. For it takes fully three years for



a newly planted vine to produce the Palomino grapes needed. After the grapes have been gathered, pressed, and the fermentation completed, the wines reveal their individual characters and the long process of maturing a classic sherry begins.

The classic fino is very pale in colour and very dry to taste with a subtly delicate bouquet. Luncheon Dry is just such a fino. Serve it chilled to appreciate fully its true character.

The classic amontillado is allowed to mature for longer in the cask, taking on a richer colour and a subtle nutty flavour. Such is the character of Club Amontillado.

Luncheon Dry & Club Amontillado. Two classic styles of sherry from Harveys of Bristol.

## Paterson Zochonis warns of some 15% shortfall

FIRST half pre-tax profits up from £9.18m to £9.43m are reported by Paterson Zochonis and Co. but the directors say latest indications are that profits for the year to May 31, 1979, may be some 15 per cent lower than the £19.48m last year.

First half results, to which the UK operations have made an increased contribution, are in line with earlier forecasts but results in the second half will be adversely affected by several factors, the directors say.

Half-year 1978 1977  
Sales to third parties 110,908 90,724  
Trading profit 10,757 8,291  
Depreciation 1,048 721  
Interest payable 2,028 919  
Investment income 565 829  
Exchange loss 204 276  
Associated profits 1,249 2,203  
Profit before tax 9,431 8,179  
UK tax 3,633 2,724  
Overseas tax 707 979  
Associates tax 709 391  
Net profit 4,413 4,455  
Minorities 136 213  
Applicable parent 4,757 4,272  
Dividends 670 534

These include a reduction in turnover stemming from the downturn in the Nigerian economy and losses in UK activities of some £1m arising directly from the effects of the January road transport dispute.

Earnings per ordinary and "A" ordinary share are given at 25.98p against 28.57p and the

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Company	Page	Col.	Company	Page	Col.
Arncliffe Hldgs.	30	7	Ibstock Johnson	28	4
Beaton Clark	30	3	LASMO	28	4
Bronx Engrg.	30	4	Moorhouse & Brock	30	2
Carlton Inds.	30	6	Paterson Zochonis	28	1
Epicure Hldgs.	30	1	Turner & Newall	28	1
Federated Land	30	6	Waverley Cameron	30	8

interim dividend is stepped up from 3p to 3.3p—the previous final was 5p.

The group trades as a West African merchant and also makes soaps, toiletries, industrial and household cleaning agents in the UK for the home and export market.

### comment

Paterson Zochonis has now largely weathered the impact of losing a large part of its important Nigerian operations to local interests. The economic gloom in that part of West Africa, however, continues to depress pre-tax profits which have only inched ahead despite an increase of almost one-third at the trading level. More than doubled interest charges, which

together with higher interest rates reflect extended credit terms to the Nigerian companies, are partly responsible for the difference. But it is the 39 per cent drop in the contribution from associates (largely UZ Industries and its subsidiary) which really catches the eye.

Moreover, the Nigerian import controls imposed in January will not help UK exports in the current period, while the picture next year in West Africa is unlikely to be much better. The company nonetheless appears confident that the longer-term future is bright and in the meantime is content to develop other areas like Australia and Greece. At 215p the shares are no a fully taxed prospective P/E of 4.8 and yield 6.2 per cent.

## Ibstock Johnson passes £5m mark with 17% rise

PROFITS before tax of Ibstock Johnson, the building products group, rose 17 per cent to £5.08m in 1978 on turnover up 39.5 per cent to £48.8m.

With first half profits up from £1.8m to £2.2m, the directors said a noticeably better second half was likely, mainly due to substantial growth overseas with the acquisition of Marion Brick of the U.S.

The second half would also include a full six months from Marion compared with only one month in the first half.

Earnings per share for the year are shown at 28.67p against 26.75p and the final dividend is 4.106p making a total of 6.859p compared with 6.143p previously. A one-for-one scrip issue is also proposed.

The directors say that Marion Brick earned a satisfactory return on the group's investment. It was also the main cause

of decreasing margins, as U.S. margins are generally lower than in Europe.

However the board expects the brick company to achieve steadily improving margins of profitability.

### comment

Ibstock Johnson has again proved its ability to outpace the brick manufacturing industry. Group sales volume in the UK climbed 11.3 per cent last year while national deliveries rose by no more than 4 per cent. This time, particularly after a very poor opening quarter, domestic growth opportunities look limited and Ibstock's progress will stem largely from improving margins at the Marion Brick acquisition in the U.S. and recovery in the troublesome Belgian plants near Brussels. Loss elimination in Belgium would be worth around £700,000 in a full year but, with

the first quarter weather playing a crucial role, breakeven may be delayed until late summer. Marion, which made £430,000 in the seven months post-acquisition, was largely responsible for the overall margins decline but Ibstock plans to boost the rate of profitability by marketing its U.S. output as a quality architectural product and lessening its dependence on the volatile housebuilding sector, which currently accounts for some 70 per cent of sales. Consolidation rather than expansion will be the order of the day for 1979 but Ibstock appears to have found an untapped source of overseas growth potential. The shares dropped 8p to 194p yesterday, after consistent strength in the last fortnight, where the p/e of 7.1 and the yield of 5.4 per cent on the four times covered dividend offer solid support.

## LASMO lifting borrowing limit

ALTHOUGH ITS borrowing is expected to reach a peak within the existing £150m limit, by the autumn of this year, London and Scottish Marine Oil Company is proposing to raise the ceiling to £200m. This will give the company the flexibility to finance further requirements in the most advantageous way, Mr. G. W. Searle explains.

By mid-March the Ninian Field, in which the group has a 7.788 per cent interest, had produced 4m barrels entirely from three wells and a fourth well, on the same platform, should be completed shortly. In the same block two other wells are expected to begin production in June following a delay because of a strike.

So far the group has sold 273,000 barrels of oil from the field and sales proceed: should exceed capital expenditure and other outlays in the final quarter of the current years. The first

distribution on the company oil production stock based on production to June 30, will be made in October.

The company can now devote more time to other exploration and, hopefully, production projects, the chairman says.

Application has been made for licences in the sixth round of UK licensing for the North Sea and the group has an option on an offshore contract area in the Philippines. Further exploration expenditure is not likely to be heavy in 1979 but cash flow from Ninian production should enable a higher level of activity to be undertaken in 1980.

At the end of 1978 some £37.5m (£35.3m) had been authorised and contracted work amounted to £5.5m (£21.7m) in relation to the Ninian project, compared with only £448,000 for other commitments.

The Ninian development, in-

cluding pipeline and terminal, had cost the company £108m by the end of last year. Its share of the development in 1979 is expected to amount to around £23m and its total contribution is estimated to reach some £146m by the end of 1983.

The company's share of production from the field is predicted to exceed 4m barrels in 1979 and the British National Oil Corporation is now entitled to 51 per cent of the group's oil production.

With interest costs up from £10.4m to £12.5m and interest receivable down at £0.94m (£3.2m), the group showed an increased pre-tax loss of £12.4m, against £7.9m, for 1978—as reported February 28.

Year-end cash and short term deposits were down from £18.2m to £1.3m and there were net current liabilities of £13m, compared with assets of £7.6m.

## English Assoc. Fund listing

The English Association Sterling Fund, of Jersey, has applied for all its 76,752 participating redeemable preference shares of 1p each to be admitted to the official list of the Stock Exchange.

The fund, which operates in a similar way to a unit trust in that it invests in its underlying net asset value, offers a yield similar to that obtainable in the short-term money market less a 1 per cent per annum management charge.

The first issue of participating shares was made in August last year when 6,528 were issued at £50 per share, raising about £323m. On March 21, 1979, the redeemable price was £52.68 and the fund had a net asset value of just over £4m.

The fund provides a vehicle for investment in a managed portfolio of short-term money market securities such as Treasury Bills, Local Authority issues and short-dated gilt stocks.

The directors have appointed EASF Managers to manage the fund. They intend that a major part of the return on the fund's investments will be reflected in the increase in the net asset value of the participating shares—any net income of the fund will be distributed annually.

EASF is jointly owned by The English Association of American Bond and Share Holders, a financial services organisation formed in 1984, and Murray Johnstone, an investment management company controlled by five quoted Scottish investment trusts.

Mr. R. M. Cox-Johnson, a director of EASF, said that one reason for the listing was "we would be at a slight competitive disadvantage if we didn't go public."

Also, clearance under Section 444 of the Income and Corporation Taxes Act, 1970 (cancellation of tax advantages from certain transactions in securities) had been given by the Inland Revenue "provided we went public once the fund reached £1m."

The minimum subscription for shares is £2,000.

The fund does not intend to invest in securities from which UK tax is deducted at source.

### COUNTY OF CLEVELAND

County of Cleveland announces the placing of £5m Variable Rate Redeemable Stock 1984 at 99 1/2 per cent, payable in full on issue.

Interest will be calculated at 11 per cent above 6 months LIBOR, payable on March 22 and September 29 with a first payment of £51,129.50 per cent on September 29, 1979.

The stock is redeemable on March 25, 1984. Drawings are expected to begin on Thursday.

### TAYLOR WOODROW

As a result of the recent rights issue, Taylor Woodrow directors' holdings have increased as follows:—Mr. R. G. Patten, 383, Sir Frank Taylor, 1,118, Mr. R. E. Aldred, 772, Mr. C. S. A. Hambro, 388, Mr. T. F. Frazier, 388, Mr. R. Christie, 337, Mr. E. S. D. Tribe, 1,332, Mr. F. R. Gibb, 437, Mr. N. C. Baker, 504, Mr. C. G. F. Bazzell, 1,574, Mr. N. Fletcher, 302 and Lady Taylor, 2,235.

Mr. B. S. L. Trafford and J. Topping disposed of their rights, 954 and 150 shares respectively.

Mr. R. E. Aldred and Mr. B. S. L. Trafford have each paid up the balance on 300 ordinary shares of the executives' share incentive scheme, which shares have been sold, and Mr. J. Topping has paid up the balance of subscription money on 400 of such incentive scheme shares which he has retained.

## Mowat postpones rights

Wm. Mowat and Sons, the property company which was last year's top performing share in the stock market, has postponed a one for one rights issue announced earlier this month.

Last night the directors explained in a statement that after further consultation with their professional advisers they had decided that the Chaplin Road, Wembley redevelopment scheme was "not sufficiently attractive to undertake."

A substantial proportion of the £0.3m rights issue proceeds had been earmarked for this site. No one from Mowat was available for comment though the statement added that the directors "intend to expand the company and this expansion is likely to necessitate a rights issue."

A number of alternative proposals are under active consideration and a further announcement will be made as soon as plans are finalised.

### REDMAN HERMAN

Redman Herman International announces that the rights issue of 3.7m ordinary shares at 58p a share made in March has been taken up to the extent of 3.4m shares, representing 92 per cent of the issue.

### DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corresponding div. year	Total for year	Total last year
Arncliffe	2.018	—	NH	2.01	NH
Beaton Clark	4.5	—	3.16	7	5.2
Bronx Engrg.	1.23	May 14	1.17	1.76	1.87
Carlton Inds.	2.5	May 24	2.5	5.55	5.47
C.S.C. Investment	2.75	May 15	2.5	5.25	4.38
Epicure	0.33	April 10	NH	—	0.33
Federated Land	1.98	May 9	1.55	2.73	2.3
Ibstock Johnson	4.11	May 18	3.64	6.88	6.14
Moorhouse & Brock	—	—	—	—	—
Paterson Zochonis Int.	3.961	July 12	4.23	5.46	4.89
Waverley Cameron	1.5	May 12	2.59	11	7.59

Dividends shown pence per share net except where otherwise stated. \* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ For nine months. § As forecast in October 1978 placing. ¶ In lieu of final. || Subject to Treasury approval.

This Advertisement is issued in compliance with the requirements of the Council of The Stock Exchange.

### COUNTY OF CLEVELAND

Placing of £5,000,000 Variable Rate Redeemable Stock, 1984 at 99 1/2 per cent

Application has been made to the Council of The Stock Exchange for the above Stock to be admitted to the Official List.

In accordance with the requirements of the Council of The Stock Exchange £500,000 of the Stock is available in the market on the date of publication of this Advertisement and until 10 a.m. on Wednesday, 28th March, 1979.

Particulars of the Stock have been circulated in the Extel Statistical Services Ltd., and copies may be obtained during usual business hours on any weekday (Saturdays excepted) for 14 days, from and including 27th March, 1979, from

Phillips & Drew,  
Lee House, London Wall, London EC2Y 5AP  
and The Stock Exchange

## 1978 Annual Report:

# Emphasis on energy brings Tenneco record \$8.8 billion revenues, new highs in income and earnings per share.

Tenneco reported the best year in its 35-year history in 1978, setting new records for operating revenues, net income and earnings per common share, as summarized in the table below.

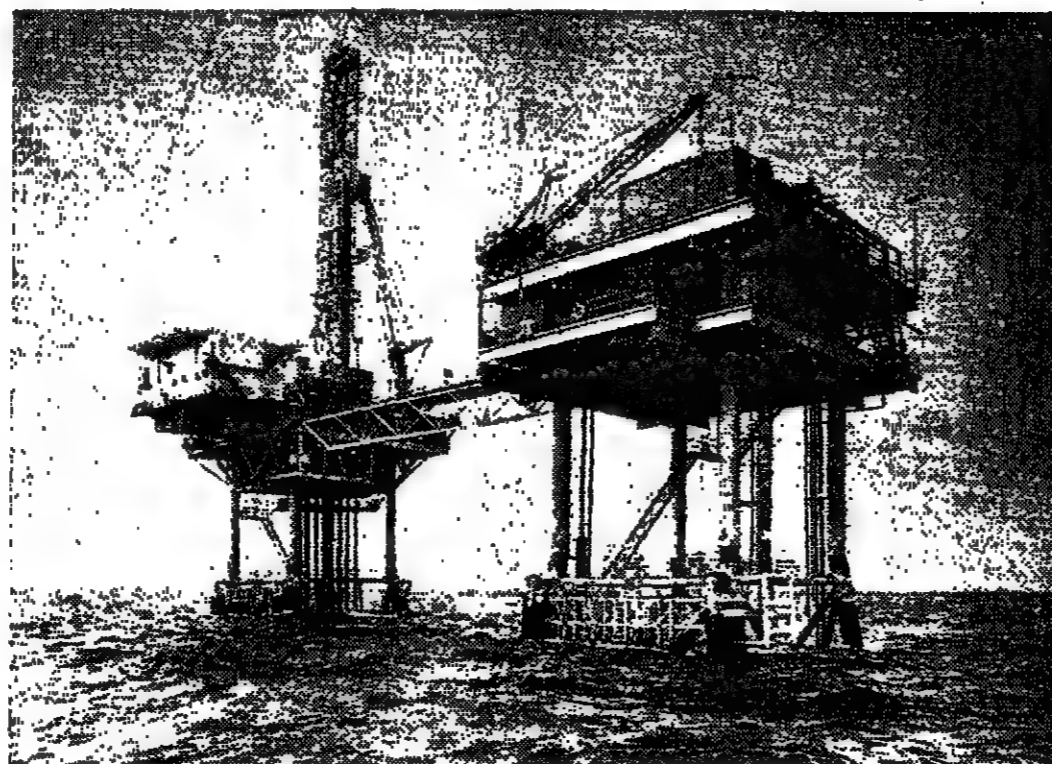
Today, energy generates two-thirds of our income. And because the need... and the opportunity... is so great in this field, we will invest most of our resources in energy for the foreseeable future.

We have good reason to believe we can succeed. Our Tenneco Oil is one of the few oil companies to increase its domestic production over the past five years. Oil production increased 18% versus an industry decline of approximately 5%. More importantly, in support of our 16,000-mile natural gas pipeline system, gas production went up 36% as compared to an industry decrease of about 13%.

Our U.S. wildcat well success ratio over the same period has averaged 35% as compared to an industrywide ratio of about 16%-19%. And we are coming close to replacing oil and gas produced with new reserves—99% in 1978—while the nation's overall reserves have shown a steady decline.

At a time when many major energy companies are diversifying into non-energy fields as a hedge against the economic, political and regulatory risks of the oil and gas business, Tenneco is already successfully diversified. And we will continue to strongly support our growing non-energy businesses. They enable us to mount a major energy thrust with greater confidence.

In 1979, we will invest over \$600 million in oil and gas exploration and production, most of it in the U.S., plus additional major investments in natural



The most prolific offshore platform in Tenneco's history, 60 miles off Louisiana, began production in late 1978. The 11 wells on the platform are expected to produce more natural gas in their first year than is consumed annually by the city of Boston.

### SUMMARY

(Millions except per-share amounts)	1978	1977
Net sales and operating revenues	\$ 8,762	\$ 7,408
Net income	466	427
Earnings per share of common stock—		
Average shares outstanding	4.53	4.38
Fully diluted	4.30	4.11
Capital expenditures	1,008	714
Total assets	10,134	8,278
Year-end dividend rate	2.20	2.00

gas pipeline and other energy projects. In so doing, we believe we will best serve the interests of our Company, our investors, our employees, and the people of this nation.

To find out more about Tenneco's success in energy and its growth in

other basic industries—construction and farm equipment, automotive components, chemicals, agriculture and land management, packaging, shipbuilding, and insurance—write TENNECO ANNUAL REPORT, Section X-1, P.O. Box 2511, Houston, TX 77001.

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# Tenneco

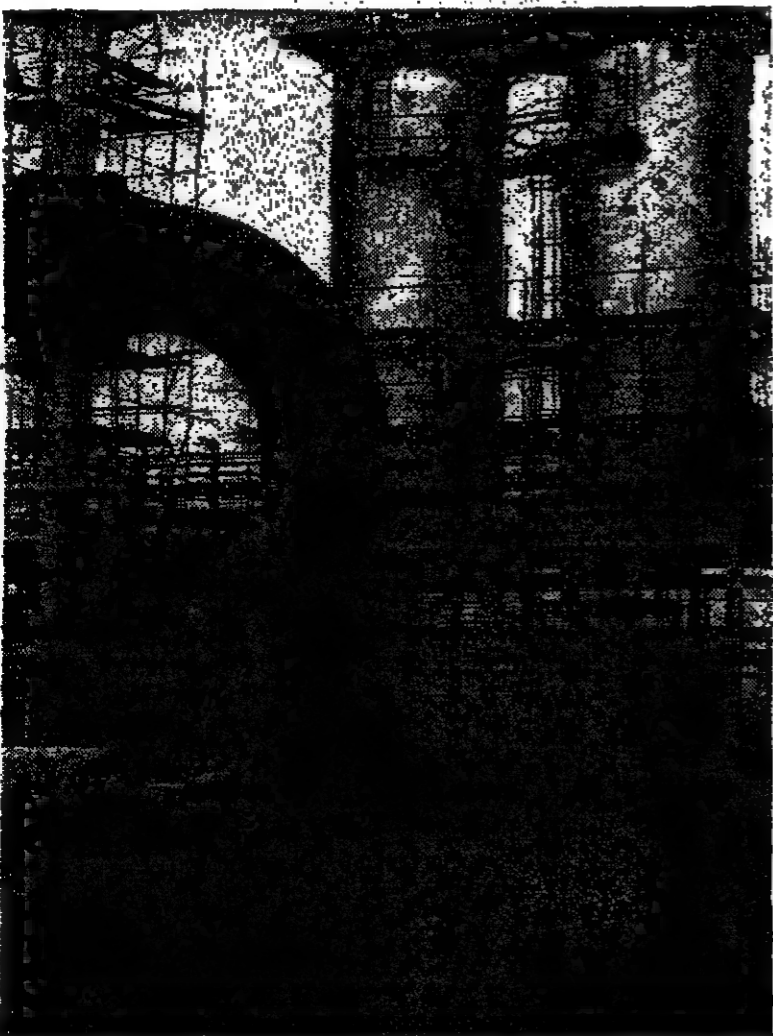
TENNECO COMPANIES IN THE UNITED KINGDOM

ALBRIGHT & WILSON LTD. JI CASE COMPANY LTD. DAVID BROWN TRACTORS LTD. GLOBE PETROLEUM SALES LTD. HARMO INDUSTRIES  
FOCLAIN LTD. TENNECO CHEMICALS EUROPE LTD. TENNECO INTERNATIONAL HOLDINGS LTD. TENNECO WALKER (UK) LTD.

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Post Office Telecommunications

# Turner & Newall: the key word still is investment — in the UK, USA and Continental Europe



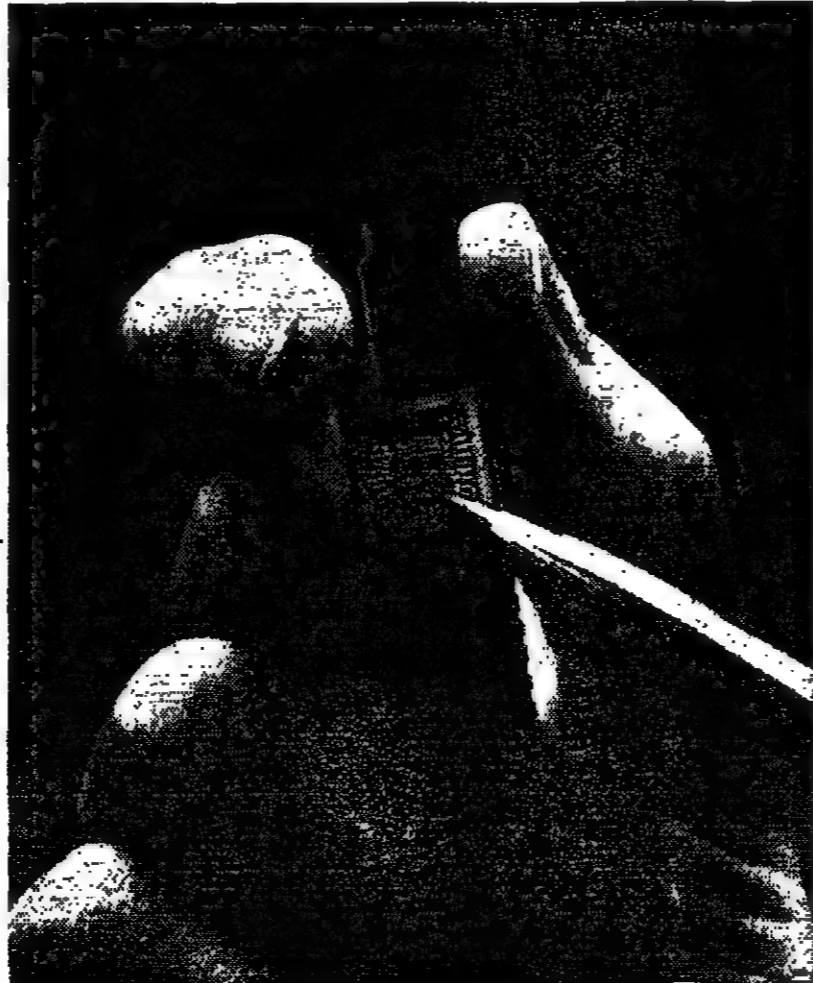
**£17 million** Aycliffe PVC resin plant — on stream 1979 — will eventually double output



**£8 million** plant for specialised glass fibre insulation materials, on stream 1979, in the North East



**£5 million** investment in new American automotive components plant, on stream 1979



**£3 million** on specialty chemicals in USA and Europe, including photoresists for silicon chips

## Highlights from the Statement by the Chairman, Patrick Griffith

- \* Sales up by £127m to £541m
- \* Trading profit down by £1.4m to £43.5m
- \* Pre-tax profits down by £6.7m to £38.5m
- \* UK exports up by £16m to £109m
- \* Worthwhile contributions from investment in Hunt and Storeys
- \* Major restructuring of UK construction materials and plastics engineering and moulding interests
- \* Capital expenditure 1978 — £24m at home, £19m overseas
- \* Capital expenditure 1979 — £16m at home, £18m overseas

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## Improved trend for Epicure

WITH PRE-TAX profits at £208,000 for the six months to December 31, 1978, on turnover of £3.84m, results of Epicure Holdings, hotelier, etc., show an improved trend and reflect the effects of rationalisation and reorganisation to date.

The directors explain that these actions were taken in the long term interest of the group, and they continue to look at ways of improving its businesses, by acquisition, internal growth and rationalisation.

For the corresponding 1977 half-year, profits of £26,000 on £0.84m turnover were achieved,

but these were prior to the acquisition of Sleat Group and therefore are not comparable.

An interim dividend of 0.33p net is to be paid—the first for five years—and the directors expect to recommend a final of at least the same amount—last year's final was 0.33p on £273,000 pre-tax profits.

A professional revaluation of the group's properties has recently been completed and indicates a total value of £3m, more than £1m greater than book value. This excess does not include surpluses on certain properties classified as trading items.

## London Life to pay higher reversionary bonus rates

HIGHER RATES of reversionary bonus are to be paid by London Life Association from July 1, 1979. On all assurances and on the compound bonus deferred annuities the rate is lifted from 4.70 per cent to 4.80 per cent of the basic benefit plus attaching bonuses. On the simple bonus pension business the rate is 18.70 per cent of the basic benefit against 18.30 per cent.

On the reduction of premium system the increase in the rates of reduction is maintained at 10 per cent for the 68th or earlier series and at 8 per cent for the 69th and later series.

The company has already announced its terminal bonus rates, payable on death or maturity claims. These bonus rates are reviewed twice a year in May and November, applicable to the following January and July respectively.

## Granada makes good start

Profits for the current year at Granada Group were running some 20 per cent higher than last

## Beatson Clark raising £2.6m after static year

A RIGHTS issue to raise around £2.6m is announced by Beatson, Clark and Co., glass container manufacturer. The issue will be of 1.42m shares at 185p each on the basis of one new ordinary 25p share for every three held.

It is also proposed to increase the authorised share capital from £1.25m to £2m.

For 1978, pre-tax profits were little changed at £2.38m (£2.38m) on £20.87m (£17.79m) turnover, after a decline from £1.17m to £0.93m in the second half. At mid-year, the directors said that full year profits should equal those of 1977.

The directors now say that during the first two months of 1979, every effort was made to overcome the difficulties caused by the road haulage dispute and the unusually severe weather conditions.

Although both output and deliveries were affected in the event only part of the additional capacity available this year was hit, and the directors therefore look forward to 1979 with confidence.

Explaining the reasons for the rights issue, the directors say that the company's dependence on retained profits and bank borrowings for both development capital and additional working capital has from time to time made it necessary to postpone major developments.

Therefore, they feel that the time has arrived when it is desirable to increase the capital base and so enable the company to accelerate its future plans and enhance its long-term prospects.

has indicated, however, that based on current legislation, consent would be forthcoming.

### comment

Beatson, Clark is not an obvious rights issue candidate. Borrowings, at £2.5m, or only a fifth of shareholders' funds and there are no big projects in the pipeline to follow the recent modernisation programme. Also, with the sharp increase in dividend cover the company does not need an excuse to boost the payout. It appears, then, that the cash call is designed to further increase flexibility and eliminate interest charges. On the trading front, second half profits were as expected—hit by the seven-week shutdown of the Rotherham factory as part of the reconstruction programme. But, although full-year profits are only marginally higher, earnings are up by two-thirds thanks to tax relief on capital expenditure. Despite the dividend jump now, and the promise of a 20 per cent rise next year a 4.6 per cent yield is still the restraining factor on the share price, which last night was set at 230p.

## Bronx Engineering falls to £0.32m at year-end

AS EXPECTED, taxable profits of Bronx Engineering Holdings fell sharply, from £790,281 to £317,213, in the year to November 30, 1978, on higher turnover of £12.17m against £11.53m.

At half-year, when profits slumped from £386,000 to £57,500, the directors said the whole-year surplus would fall substantially below that for 1977. However, they anticipated a return to a much more satisfactory level in 1979.

After tax for the year of £171,538 (£423,029), stated earnings per 10p share are 3.3p

### BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are intended or final and the sub-divisions shown below are based mainly on last year's timetable.

TODAY	
Interim—Carrollwood Estates, City and International Trust, Henshaw (Furniture Trades), Ricardo Consulting Engineers.	
Final—Appleyard, Bestwood, Brent Chemicals International, Brooks Group, Equity and Law Life Assurance Society, Gibbs and Dandy, United Newspapers, Wacy, Wilkinson Warburton, Zenith Carburator.	
FUTURE DATES	
Interim—	
Ingall Industries	Mar. 29
Martin (R. P.)	Apr. 3
North Atlantic Securities	Apr. 11
Final—	
Alva Investment Trust	Apr. 18
Breadon and Clond Hill	Mar. 30
Diamond Shamrock Europe	Mar. 30
English National Investment	Apr. 24
Feb International	Mar. 28
Furness (London S.W.3)	Apr. 2
GKN	Apr. 10
Higgs and Hill	Apr. 10
Reckitt and Colman	Apr. 2
Royco	Mar. 29
Thames Sulphur	Mar. 29
Amended.	

## Tight housing margins peg Federated Land progress

ALTHOUGH trading profits were lower at £1.85m against £1.96m, pre-tax surplus of Federated Land and Building Company increased from £883,000 to £923,000 for 1978, on turnover up some £3m to £12.76m.

At half-year, when reporting pre-tax profits up slightly at £420,000 (£415,000) on turnover of £6.72m (£4.75m), the directors said the second half results were expected to be at least the same as those then announced.

The full year profits were struck after interest of £360,000 (£375,000) including £244,000 (£229,000) relating to commercial developments, and an exceptional debit of £326,000 last year. Net rents from investment properties expanded from £102,000 to £130,000.

Tax takes £458,000 (£474,000) after credit for all allowances on fittings in investment properties and stated earnings rose from 3.74p to 4.46p per 25p share. A final dividend of 1.33p lifts the total net payment to 2.73p against 2.31p last time, covered 1.63 (same) times. Retained profits emerged at £181,000 (£150,000).

The directors say profit margins in housing developments have been getting tighter, des-

pite more favourable market conditions, because the current sites being built are mainly in the provinces.

Further land for housing has been purchased in the Home Counties to add to the already sizeable land holding.

The group is now very favourably placed with sufficient housing sites for the long-term future as well as having good prospects for developing more shopping centre schemes, the directors add.

The transition from a trading only to a predominantly property investment company is well under way.

A valuation of the Hemstead Valley Centre will be undertaken this year, and on a conservative estimate the directors believe that the net asset value of the company will have doubled to at least £10m.

In due course, application may be made to the Stock Exchange to change the listing of the company from the building to the property sector, they state.

House-building will continue to be an important and accessible activity within the group. Its planned level of output for 1978-1980 onwards has however been

reduced to lessen the effects of the cyclical nature of this industry might have on the group and to conserve valuable long stocks.

Income from housing operations will be used mainly to service the financial costs of developing further commercial schemes.

The directors aim to build a stronger and more secure business, able to grow from its investment income, and which has a small but highly productive and profitable house-building operation. The emphasis will be on asset growth rather than on profit growth.

This summer will see the completion of the company's shopping centre in Kent, and the creation of investment income on a significant scale.

The Hemstead Valley Shopping Centre will produce some £500,000 per annum of rental income when completed. This investment in commercial property schemes will continue as further projects are undertaken.

The group is concentrating on developing shopping centres in prime locations and hopes to commence work on the next centre later this year.

## Carlton makes strong headway

For the nine months ended December 31, 1978, Carlton Industries turned in pre-tax profits of £10,65m, ahead of the £10.35m achieved in the previous year, March 31, 1978.

The group's year-end had been changed to coincide with that of Hawker Siddeley which has a controlling interest in Carlton.

The directors told shareholders last July that order books of all divisions were showing an increase and present trends continued. Another increase in profits on a pro-rata basis was confidently expected.

Earnings per 25p share for the nine months are shown at 35.2p (36.1p) and the final dividend is 3.5p making a total of 3.5p against 3.47p in the previous year.

	9 mths. Year	1978	1977-78
Turnover	£5,530	£4,022	£4,022
Batteries	4,173	4,020	4,020
Whistles	1,456	1,456	1,456
Other activities	4,512	8,219	8,219
Householdings	10,650	24,584	24,584
Profit before tax	10,650	7,407	7,407
Batteries	2,482	2,825	2,825
Whistles	1,171	1,171	1,171
Other activities	33	24,584	24,584
Householdings	600	2,645	2,645
Tax	10,042	7,788	7,788
Minorities	8,391	8,338	8,338
Attributable	1,359	1,449	1,449
Dividends	1,359	1,449	1,449

### comment

A change in the accounting year-end has flattened Carlton's performance. The first nine months have been particularly strong and, even though margins on both batteries and whistles have been squeezed, profit growth has been solid. Had the group reported a normal 12 month result for 1978/79 the comparison would not have been quite so favourable. Since the beginning of January there have been problems due to both the

### IN BRIEF

**ARWOOD MACHINE TOOLS**—Turnover half-year to September 30, 1978, £251,405 (£240,486). Profit £15,912 (£13,495) after tax £19,330 (£10,111). Earnings per 5p share 1.0p (0.5p), no dividend (same).

**KOBE INTERNATIONAL** (manufacture, distribution and maintenance of computer peripheral equipment)—Results for 1978 reported March 6, with chairman's observations on prospects. Group fixed assets £1.84m (£1.45m). Net current assets £1.75m (£1.47m). Statement of assets and liabilities of funds shows £282,000 (£245,000) increase in working capital. Profit on a current cost basis is £1.01m (£2.02m) pre-tax, after adjustment for depreciation £121,000 (£130,000). Cost of sales £118,000 (£144,000). Interest receivable £20,000 (£8,000 payable) and gearing £2,000 (£22,000). Meeting, Cairns, Winton, on April 20 at noon.

**GEORGE INGHAM (HOLDINGS)**—Turnover 1978, £1,436,308 (£1,444,827). Pre-tax loss £4,488 (£52,205). Debit tax £2,180 (£12,860). Loss after tax £10,268 (£65,065). Credit extraordinary profit £2,182 (nil). To capital reserve £1,198 (from reserve £7,125). Dividend (same), payable May 18. Loss per share 0.53p (7.25p) on net basis, and 0.42p (2.71p) on nil distribution basis.

**ST. ANDREW TRUST**—Results for 1978, ready results for 1978, £18.81m (£19,02m). Unrealised appreciation, £7,08m (£7,01m). Chairman says income prospects for current year are satisfactory and there should be scope for some increase in dividend.

**CENTRAL ASSETS**—Interim and only dividend on capital shares, 10p for year to January 31, 1979. Profit available for distribution £21,527 after Jersey tax £375 and transfer to capital account £1,000 (£1,000). Earnings per share, 13p (£24.5p). Net asset value 50.0p (income shares) 7.1p (capital shares).

**L. RYAN HOLDINGS** (plant hire contractor and coal factor)—Results for 1978 year, with prospects, reported March 16. Group fixed assets £5.48m (£4.94m). Increase in working capital £106,255 (£26,122 decrease). Meeting, Cardiff, April 18, at noon.

**LUNDA (CYLON)** TEA AND RUBBER ESTABLISHMENTS—Results for 1978 reported March 14. UK listed investments at market value £2.24m (£1.42m). Net current assets £50,540 (£35,540). Increase in working capital £28,894 (£33,910). Balance sheet shows £254,451 (£249,539) due from Sri Lanka Government. Meeting, London, Lower Street, EC, April 18, at noon.

**PLANTATION HOLDINGS** (rubber and palm oil products)—Results for 1978 reported February 28. Group fixed assets £18.4m (£13.45m). Net current assets £1.2m (£1.04m). Company is being reconstructed. Multi-Purpose Holdings holds 84 per cent. Chairman says current firmness of rubber and palm oil prices has enabled current year to start well. Meeting, Winchester House, EC, April 18, at noon.

weather and the drivers' strike and profits for the first quarter of 1979 are running behind budget. With a strong order book, it is considered the short-fall can be made up but it will take time. Automotive battery business, still the major contributor, is growing very slowly but good growth has come from stationary, alternative power

batteries and from traction batteries. The main spur here has been from exports. The lead prices hit car battery profits as there is a two to three month delay between the raw price increase and the rise granted by the Prices Commission to batteries. The shares at 245p are on a p/e of 6.8 and a yield of 3.4 per cent.

## Arncliffe £0.66m profit in line with forecast

IN LINE with a forecast of full-year taxable profits of not less than £650,000 at the time of its placing last October, Arncliffe Holdings turned in a surplus of £655,938 for the year to October 31, 1978. Last time, pre-tax profits were £547,783.

Turnover of this Leeds-based housebuilder was up from £2.75m to £3.84m.

Stated earnings per 10p share are given as 10.6p, and as forecast the net dividend is 2.01p at a cost of £41,233.

The directors say there was a slight upturn in the building industry during the period under review, and in spite of the severe winter conditions for many years, profits have been maintained at a satisfactory level during the first quarter of the current year.

The directors are confident that any production delays as a result of the weather will soon be made

good, and they expect growth to continue.

A total of £45,000 has been reserved for UK tax. Earnings costs amounted to £75,314. Retained profit came through at £459,889 (£398,918).

## Waverley Cameron pays 11p dividend

From turnover of £2.31m against £1.87m profit before tax, of Waverley Cameron, Edinburgh-based stationery maker, rose from £127,194 to £288,796 in 1978.

Subject to Treasury approval, the directors are lifting the year's dividend from 7.55p to 11p per 25p share.

After tax of £143,390 (£82,944) earnings per share are shown at 59.51p against 25.63p.

# Look behind our numbers and you'll see our expertise.

**REPUBLIC NATIONAL BANK OF NEW YORK**

CONSOLIDATED STATEMENT OF CONDITION  
December 31, 1978

**ASSETS**

Cash and demand accounts  
Interest bearing deposits with banks  
Precious metals  
Investment securities  
Federal funds sold and securities purchased under agreements to resell  
Loans, net of unearned income  
Allowance for possible loan losses  
Loans (net)  
Customers' liability under acceptances  
Bank premises and equipment  
Accrued interest receivable  
Other assets

**LIABILITIES**

Deposits  
Federal funds purchased and securities sold under agreements to repurchase  
Other liabilities for borrowed money  
Acceptances outstanding  
Accrued interest payable  
Other liabilities

**STOCKHOLDER'S EQUITY**

Common stock  
Surplus  
Undivided profits  
Total stockholder's equity

Letters of credit outstanding

The total investments in precious metals and the precious metal content of silver coins were substantially hedged by forward sales. The unhedged portion of these investments was \$4.2 and \$2.5 million at December 31, 1978 and 1977 respectively.

\$ 208,216,727  
480,415,264  
76,922,385  
437,532,581

206,450,000  
1,612,462,481  
(29,671,828)  
1,582,790,653  
172,250,883  
23,040,581  
51,601,244  
87,221,623  
\$3,326,441,941

\$2,417,956,871  
210,095,833  
10,342,869  
174,932,821  
118,252,371  
112,957,212

100,000,000  
100,000,000  
81,903,964  
281,903,964  
\$3,326,441,941  
\$ 122,118,094

**Our \$282,000,000 capital base is 17.5% of loans—one of the best ratios among the top 100 banks.**

What does such an unusually high capital-to-loan ratio mean to an exporter? It means that our experienced, hard working people such as Richard Lazarus, Douglas Waterman, and Catherine Cronin of our Multi-national Group are ready to finance your exports.

They know their way around export financing as few bankers do. They can make or obtain decisions fast—usually within 48 hours—sometimes within one hour. They quote fixed or floating rates, and work with or without

government export assistance programs. To help you save time, each quarter they publish a list of countries to which they will finance exports. All of this, plus their relationships with Trade Development Bank in Geneva, Paris, London, Luxembourg and Banco Safra in Brazil, result in an extraordinary export financing capability.

Put some of Republic's unique expertise to work for you. Call them at (212) 930-6000 and ask them for their quarterly country list.

## Republic New York

A Safra Bank

**America's 47th largest bank, and growing.**

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Affiliates and Representatives in: Beirut, Bogota, Buenos Aires, Caracas, Chiasso, Frankfurt/Main, Geneva, Hong Kong, Luxembourg, Mexico City, Montevideo, Panama City, Paris, Rio de Janeiro, Sao Paulo, Tokyo

Member Federal Reserve System/Member Federal Deposit Insurance Corporation

A subsidiary of Trade Development Bank Holding S.A., Luxembourg

## The H & B Year.



From the President's Report to the Annual General Meeting.

**"ASSETS EXCEED £545 MILLION"**

Record mortgage lending of £118 million during 1978 and an increase to 4.48% in the reserve ratio at the end of the year, were reported by the President, Mr. E. R. Bentley, at the Society's Annual General Meeting on 28 March.

During the year more than 68,000 new investment accounts had been opened and at 31 December total assets exceeded £545 million. The Society had expanded its operations by opening eleven new branches and it was expected that a further ten branches would become operative during 1979.

The Society's facilities had now been improved, by the introduction of a 4 year Term Share offering a net interest rate of 9.5% and by participation in the Government's new "Homeloon" scheme to assist first time purchasers.

Full support was expressed for representations made by the S.A. to secure adjustment in line with inflation, in the tax thresholds for stamp duty on house purchase and the limit on loans qualifying for tax relief.

Copies of the Annual Accounts are available from any Branch of the Society or from Head Office.

**Huddersfield & Bradford Building Society**

Head Office: Permanent House, Westgate, Bradford BD1 2AU. Telephone: Bradford 2222 (STD 0274).

Member of The Building Societies Association. Authorised for investment by trustees.

**US \$30,000,000**

Floating Rate London-Dollar Negotiable Certificates of Deposit, Due 26th March, 1981

**THE SANWA BANK, LIMITED LONDON**

In accordance with the provisions of the Certificates, notice is hereby given that for the six months interest period from March 26th, 1979 to September 26th, 1979, the Certificates will carry an Interest Rate of 11 1/4 per annum. The relevant interest payment date will be September 26th, 1979.

Credit Suisse First Boston Limited Agent Bank

# UNITED STATES

	1977	1978
Units	Units	Units
5,148,131	5,335,282	47.6
2,552,310	2,582,702	22.8
1,219,732	1,146,258	10.1
184,361	170,739	1.5
nil	22,597	0.2
9,104,454	9,307,578	82.3
493,048	441,800	3.9
388,378	338,096	3.0
223,633	274,876	2.4
216,454	239,306	2.1
678,000	706,422	6.2
2,099,513	2,000,500	16.7
11,203,967	11,308,078	100

# JAPAN

	1977	1978
Units	Units	Units
892,581	1,081,919	37.9
755,420	834,502	29.2
218,014	261,345	9.1
176,201	171,665	6.0
165,749	171,274	6.0
94,633	80,111	2.5
67,416	97,725	3.4
50,771	60,038	2.1
38,956	48,613	1.7
2,458,811	2,897,182	98.2
15,855	19,324	0.7
7,176	7,559	0.3
7,057	6,783	0.3
3,428	4,282	0.1
8,305	12,436	0.4
41,821	50,374	1.8
2,500,632	2,857,566	100

# UK

	1977	1978
Units	Units	Units
314,480	358,103	22.5
255,237	254,724	16.0
64,610	95,368	6.2
80,660	95,802	6.0
4,649	3,355	0.21
724,666	810,553	50.68
85,062	137,542	8.6
82,133	101,735	6.4
66,005	72,192	4.5
55,862	69,827	4.4
39,940	35,190	2.2
15,120	13,998	0.9
2,577	15,690	1.0
253,928	336,995	21.3
600,577	785,069	49.32
1,131,588	1,591,927	100

## World car sales climb back up

By KENNETH GOODING, Motor Industry Correspondent

S in the world's car sales climbed again last year and the indications are that it has done even better in the early months of 1979.

Imported cars in the U.S. lost market share last year. But it is worth emphasising again the importance of the market to the Japanese who between them sold 1,336,077 new cars in the U.S. (an 11.8 per cent market share) in 1978.

Volkswagen of America made its debut as a U.S. manufacturer in 1978 and this year seems sure to overtake American Motors as the fourth-largest domestic car concern. In West Germany the slight decline in VW's market share was probably caused by supply shortages as the group pushed as many cars as possible into

the U.S. at the beginning of 1978 to build up market share in preparation for local production which came on stream in the summer.

Perhaps the most significant trend in West Germany last year was the progress of the Japanese manufacturers in what is one of the few European markets where they face no strong political pressure to restrict their sales efforts. The Japanese now have close to 4 per cent of total West German sales compared with only 2.5 per cent in 1977 and they are continuing their marketing effort this year.

In their domestic market the Japanese fear that this year sales might fall from those of 1978. The best year for the Japanese, 1973, produced new

car registrations totalling 2,941,389 so 1978's result was not very far behind. Although there is some jostling for position in Japan among the domestic producers, Toyota and Nissan still outpace their rivals. The penetration of the Japanese market by car imports last year remained static at below 2 per cent.

France seems to have found an answer to the problem of dealing with the Japanese threat. Sales of Japanese cars in France last year not only lost market share but were also down in unit terms. A number of new products launched by the domestic French manufacturers in 1978—including Renault's R18, the Peugeot 305 and Chrysler's Horizon—were

all highly successful. This could have had as much to do with strong French competition as political pressure.

Ford's loss of market share in France was largely caused by the non-availability of the Fiesta—a popular car in that country—after the nine-week strike at the UK Ford plants and the disruption it caused to the whole of the group's European operations.

In spite of this difficulty, Ford managed to maintain its share of the total Western European market at 12.2 per cent and along with Peugeot it has the distinction of having a market share in most individual European markets.

In contrast, many of the other European indigenous groups

rely heavily on their home market. This is certainly true of BL, formerly British Leyland, Fiat and Renault. Importers have made the most of BL's weakness in the UK and pushed their share of the market to nearly 50 per cent. As the table shows, however, "captive" imports by manufacturers usually considered "domestic" are an increasingly important element in the overall total.

The 1978 figures for Italy are estimates. There is no doubt that General Motors has considerably increased its market share there thanks to the success of the diesel Rekord following changes to local regulations which make a large diesel-engined car a much more attractive purchase than before.

# WEST GERMANY

	1977	1978
Units	Units	Units
750,521	761,914	29.14
491,390	514,932	19.70
335,434	319,379	12.21
214,245	213,550	8.17
140,132	154,587	5.91
9,800	11,368	0.43
452	690	0.02
1,942,024	1,976,210	75.59
128,784	122,259	4.88
92,981	70,970	4.13
97,172	85,021	3.25
55,240	51,734	1.98
23,404	21,639	0.88
29,321	44,350	1.70
10,537	16,315	0.62
3,077	7,111	0.27
135,390	171,888	6.57
573,926	638,141	24.41
2,515,950	2,614,351	100.00

# FRANCE

	1977	1978
Units	Units	Units
658,314	666,400	34.3
641,081	664,500	34.2
179,909	198,200	10.3
6,668	9,968	0.5
1,494,472	1,539,968	79.2
96,782	86,250	4.4
71,076	70,625	3.6
61,393	56,700	2.9
49,863	35,800	1.8
41,344	44,735	2.3
102,059	111,822	5.8
422,517	405,932	20.3
1,906,989	1,945,000	100.0

# ITALY

	1977	1978*
Units	Units	Units
556,604	652,500	53.44
79,722	90,500	7.41
20,818	15,900	1.30
104	600	0.05
767,248	759,500	62.20
96,794	102,400	8.39
90,886	86,300	7.07
67,108	68,300	5.59
41,187	51,500	4.22
52,739	49,500	4.05
40,833	44,400	3.64
44,615	59,100	4.84
436,162	461,500	37.80
1,203,410	1,221,000	100.0

\* Estimates.

Paris, 19th March, 1979

# ANNOUNCEMENT

The Chairman of AGENCE DE REASSURANCE DE PARIS S.A. is happy to announce the purchase by TOP INTERNATIONAL A.S. of 50 per cent of the Share Capital of 1 Million French Francs.

AGENCE DE REASSURANCE DE PARIS underwrites a Treaty and Facultative Reinsurance Account in the Paris Market solely on behalf of Top International A.S. The purchase can be seen in the light of a further international expansion for both Top International and Agence de Reassurance de Paris.

Mr. Mogens Muff, Managing Director of Top International, Mr. B. Leide-Pedersen, Managing Director of Topiking, and Mr. Gerald FitzGerald have been elected as new Directors. Mr. John van Schrader continues as Chairman of the Company.

Agence de Réassurance de Paris S.A.  
7, Boulevard des Capucines, 75002 Paris  
Telephone: 742.07.52. Telex: AR PARIS 211 309 F

This announcement is made by Baring Brothers & Co., Limited on behalf of The Guthrie Corporation Limited.



## The Guthrie Corporation Limited

To the ordinary shareholders

### Guthrie's Dividend Record

#### Net Dividend

1975	6p
1976	10p
1977	15p
1978 (to be recommended)	21p
1979 (forecast)	28p

At a market price of 530p the prospective yield on your shares is 7.9%

You hold a successful investment in a growth company

## Retain your Guthrie shares

You may still withdraw your acceptance. Forms of Authority are available from Baring Brothers & Co., Limited, telephone 01-585 2830.

The Directors of The Guthrie Corporation Limited have taken all reasonable care to ensure that the facts stated and opinions expressed above are fair and accurate and they jointly and severally accept responsibility accordingly.

## Generous Malaysians



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## Rank and GEC merge Australian operations

BY ANDREW TAYLOR AND JAMES FORTH

The Rank Organisation and the General Electric Company of the U.S. have agreed to merge their Australian consumer electrical appliance operations. The deal will create one of the largest consumer electrical businesses in the country with an annual turnover of around A\$150m (£82m).

Under the terms of the agreement two new joint venture companies are to be formed Rank-General Electric Housewares and Rank-General Electric Major Appliances.

Rank Organisation will take a 75 per cent stake in each of the new ventures and will be responsible for management of the two companies which will have combined net assets of more than A\$50m (£27.3m).

A spokesman for Rank said last night that General Electric would bring its greater technological experience and ability to the joint venture while Rank had wider marketing experience in Australia.

Last year Rank Industries Australia generated sales of \$55.1m (A\$100m) and trading profits of \$233,000. This compared with trading profits of \$5.2m in the previous 12 months. However last year's profits were markedly affected by the continuing cost of the group's rationalisation programme in Australia.

Rank has been seeking to reduce its earlier dependence on the Australian colour television market where it says it has significantly reduced production. At the same time it has been increasing its production of other consumer electrical goods notably fridges and freezers.

A spokesman for Rank said that group sales of televisions in Australia peaked at \$59m in 1976 generating record trading profits of \$8.9m. Last year TV sales fell to \$29.7m and profits to \$24,000. Over the same period sales of white goods had risen from \$19.7m to \$26.4m.

The group said that this latest deal had the support of the Australian Foreign Investment Review Board. Mr. K. Russell, managing director of Rank Industries Australia said that the move was in accord with the

Australian Government's policy of rationalisation within the country's consumer electrical industry.

It has been agreed that the new venture will be able to use General Electric trademarks for its products.

Earlier this year Rank Industries Australia acquired a controlling interest in Kerby Furniture Holdings. Rank said that this acquisition and the General Electric deal would provide the group with a "wider base to take advantage of the improving Australian economy."

### WESTINGHOUSE/ HAWKER SIDDELEY

The court has sanctioned the scheme of arrangement by which Westinghouse Brake and Signal Company is to become a wholly-owned subsidiary of Hawker Siddeley group. All prior conditions having been satisfied. The scheme became effective yesterday.

### GROVEWOOD

Grovewood Securities, the investment holding subsidiary of insurance group Eagle Star, has bought a 23.81 per cent stake in Hirst and Mallinson, the textile manufacturer and distributor of catering equipment and pharmaceuticals.

The price that it paid for its stake was 42p per share. Grovewood said yesterday "We liked the management and the stake was going, so we bought it. But we are not going to bid."

### UK PROPERTY

Schlesinger Group of Companies has transferred its 61.1 per cent holding in United Kingdom Property Company from its UK resident group, Thymorston Securities, to Iris Holding SA, its non-resident company.

As there is no change in management and effective control of United Kingdom Property, the City Panel has confirmed that no offer need be made to the minority shareholders of the company.

### CUSTOMAGIC

Mooloya Investments has purchased 331,031 Customagic ordinary shares (87.88 per cent)

of the shares under offer. Mooloya now holds a total of 5,111,138 (97.35 per cent).

### TALKS AT EXCALIBUR JEWELLERY

Shares of Excalibur Jewellery, maker of jewellery and watches, leaped 8p to 23p yesterday capitalising the company at £3.3m on the news that discussions are taking place with a third party which could lead to an offer.

Excalibur's profits dipped in the first half of 1978-79 from £470,000 to £399,000 after reaching a record £835,000 for the year to April 30, 1978.

Net assets of Excalibur in the last published balance sheet were £3.3m of which £2.3m was stock.

The directors own over 6m of the 14.6m shares in issue. There are no other major shareholders.

### CITY PANEL ON ROCKWELL TACTICS

Advisers of Rockwell International met the Takeover Panel yesterday to discuss the bid manoeuvres of at least for Wilmot Breeden.

S. G. Warburg and Lazard Brothers, the two merchant bankers advising Rockwell, and Cazeneuve, the stockbroker who bought a 29.58 per cent stake in Wilmot on behalf of Rockwell last Friday, were due to see the Panel.

The Panel was questioning Rockwell's advisers over its rapid change of mind at week on indicated offers for the company and why, when Rockwell was offering 95p per Wilmot share on Monday, it was prepared to offer 115p by Friday.

During the week the value placed on Wilmot by the offer changed from nearly £20m to £24m.

When the earlier offer of 95p had been announced the shares fell 11p to 91p because the City had been expecting a higher offer.

Yesterday the Takeover Panel was still lifting the explanations offered by the interested parties. Meanwhile, Wilmot Breeden's board was hoping to meet today, or Wednesday, to discuss the 115p offer and whether its own representations to the Takeover Panel are necessary.

## Sime-Guthrie decision today

BY JAMES BARTHOLOMEW AND WONG SULONG

The bid by Sime Darby (Holdings) for Guthrie Corporation, which values Guthrie at \$154m, will be decided today.

By 2.30 pm this afternoon, Sime will either have scraped together acceptances and purchases of 50 per cent of Guthrie and will declare the offer unconditional or else it will have to admit defeat and let the offer lapse.

Sime confirmed yesterday that it still had acceptances for about 14 per cent in addition to its stake of just under 30 per cent. Sime must acquire the last 6 per cent in one transaction today to make the bid successful.

"We are hoping for some conditional purchases from the Far East overnight," said a spokesman for Sime. "These, together with conditional purchases in London could tip the balance. It's as close as that."

Sime's task has been made more difficult by the persistent buying of Guthrie shares by two of its most devoted supporters, Earing Brothers, Guthrie's financial advisers, and M and G Investment Management Company. These announced further purchases yesterday. Baring bought 97,000 shares last Friday at prices ranging between 527p and 537p and another 25,000 yesterday. M and G bought 100,000 shares on Friday at between 533p and 535p in addition to the 110,000 already announced on the same day.

M and G funds now holds 12.95 per cent of Guthrie, worth \$19.9m at Guthrie's closing price yesterday of 535p. Baring Brothers holds 332,000 shares worth \$2m. Baring's published capital and reserves are \$20m, but it also has undisclosed reserves.

Even if Sime's bid fails, it will still have been involved in considerable cost. At Sime's EGM in Kuala Lumpur yesterday, Tun Tan Siew Sin, the chairman, said that Sime had so far spent \$5m Ringgits (slightly over \$1m) on the bid in the form of underwriting fees and publicity.

One shareholder at the meeting, which voted to approve the bid, complained that the Sime board had made a "strategic error" by postponing the meeting from February 19 to yesterday as this left the company only two days to buy up the crucial shares.

Another shareholder asked about a possible conflict of interest for Kleinwort Benson, the financial adviser to Sime. Tun Tan confirmed that Kleinwort had 37 per cent of the equity of the parent company of M and G, the strong institutional opponent of the bid. "They (Kleinwort) have tried their best to play the game," said Tun Tan.

Asked for a dividend forecast, he added that he expected Sime's results for the year to be better than last year and the dividend to be at least maintained.

### BROOKE BOND U.S.\$30M LOAN

Brooke Bond Liebig has completed arrangements for financing its subsidiary company, Brooke Bond (Australia) Pty., to enable that company to acquire Bushells Investments.

A Eurocurrency loan for the equivalent of some U.S.\$30m has been signed with a small group of banks, all of which have long-standing relationships with the BBL/Bushells group. National Westminster Bank is manager.

The loan runs for ten years overall, with interest rates linked

### OLYMPIA HAS 74% OF EPC

Olympia and York Developments has received acceptances of its takeover bid at 60p a share from holders of 71.1m ordinary shares of English Property Corporation, representing 74 per cent.

It has also received acceptances of its offer from 99 per cent of the EPC preference shareholders and 62 per cent of the holders of 6.5 per cent convertible loan stock.

The offers will remain open until April 9.

### TESCO

Following the announcement on March 22 Tesco Stores (Holdings) has now acquired the remaining 49 per cent in 3 days.

All the conditions relating to the placing of ordinary shares of Tesco have been fulfilled.

## Freeport growth plans come to fruition

BY PAUL CHEEVER

STRENGTHENED by a 50 per cent rise in 1978 net earnings and the results of a four-year \$216m (£106m) capital investment programme, Freeport Minerals, the diversified U.S. group expects income to rise again this year and in succeeding years.

Earnings so far this year are "on a satisfactorily higher trend in almost all of our activities," said Mr. Paul Douglas, the president, in his annual statement. Although market conditions may weaken later in the year, the outlook "appears to be quite favourable."

A large part of Freeport's investment has been in oil and gas over recent years and hydrocarbon exploration will continue. In the mining area, the opening of the Uncle Sam plant in Louisiana for the recovery of uranium from phosphoric acid represents the first part of the group's growth programme to come on stream.

Copper and gold are current priorities. Work towards bringing the \$100m Ertsberg underground copper project in Indonesia to production at a rate of 4,500-5,000 tonnes of ore a day is being pushed ahead. The target date is 1981.

The group's gold subsidiary is seeking to convert a Nevada gold prospect to a development project—reserves are 4.9m tons of ore grading 0.3 ounces gold—and could spend \$60m to develop a 2,000 tons of ore per day mining and milling complex by 1982.

The annual report noted that conditions at the Greenvale nickel project in Queensland—joint venture with Metals Exploration of Australia—have improved. Although cobalt prices are still too low and the debt burden is now \$233.25m (£114.5m) against \$202.7m at the end of 1977.

### ROUND-UP

Following the recent Australian Government approval given to Queensland Mines for the opening up of the Nabarlek uranium deposit in the Northern Territory, the latter area's administration has now issued a special mining lease for the development of the deposit. As already an-

nounced, Nabarlek could be in production in about two years' time.

Hampton Gold Mining Areas has bought a 50 per cent interest in a small lead mine near Northampton in Western Australia for A\$100,000 (£50,000). A plant to process 100 tonnes of ore a day is being erected and production should start within six months. The mine has reserves for about four years. Hampton's partner is Mary Springs Mining.

Because of reduced productivity resulting from an employees' go-slow during collective labour agreement negotiations, the Rio Tinto-Zinc Group's Atlas Steele is shutting down its plant at Tracey, Quebec. The company is negotiating to sign its first agreement with the union (CNTU) which became the legal bargaining agent in December.

The South African Chamber of Mines President, Mr. P. A. von Wielligh, expects investment and speculative activity to dominate the gold market this year with industrial demand being maintained at the levels of the past two years.

### JIMBERLANA'S RAND FINANCE

One of the first mining deals to take advantage of the favourable exchange rate offered by South Africa's financial aid is announced by Australia's Jimberlana Minerals. The latter has provided further financing—at a discount of some 85 per cent on the commercial rate—for the South African Minador gold mine. The mine is controlled by Canada's Laurasia Resources.

Jimberlana also announced that it has acquired a 50 per cent stake in a large potentially uranium-bearing area in Australia's Northern Territory. Near to Rum Jungle, the area lies to the north of the South Alligator River and exploration work is due to start as soon as the wet season ends at about mid-April. The company also intends to examine three small gold properties in the area which were in production at around the turn of the century. Finally, Jimberlana is also on the trail of tantalite and this possibility in the Pilbara.

### ATHERTON WEAK ON VUDA FEARS

Shares of Australia's Atherton Antimony slumped to 25p at one time yesterday before closing 28p down on balance at 32p following doubts regarding previously good gold assays from the Vuda property; gold prospect in Fiji. Because of these, Atherton has called an extraordinary meeting called for April 3 to approve an increase in its stake in the project.

Under a recent deal, Placer Development agreed to earn a 51 per cent stake in Vuda by carrying out an exploration programme and paying Atherton A\$2m (£1.1m). But latest check samples taken by Placer have been disappointing and have failed to confirm the results of Placer's previous sampling programme.

Further check assays are being carried out by an independent laboratory and, in the meantime, results of recent exploration work by the Fiji Minerals Resources Department at Vuda are expected to be released soon. When the latter are available Atherton and Placer will review the situation.

## L. RYAN HOLDINGS LIMITED

Pre-Tax Profits for the year to 31st December 1978, as already announced were £1.55m (£1.01m. for year to 31.12.77).

Extracts from the statement by the Chairman, Graeme M. Metcalf, in the Report and Accounts.

**TRADING** United Kingdom "The figure of profit before tax of £1,018,361 has not been achieved previously in the history of your Company. The savings at Cwmbaroged have been improved and provision made by the acquisition of land, to increase the capacity of blending and drying coal; substantial progress has also been made in modernising the upper fleet of the import company."

**Belgium** "The operating profit before taxation of £333,984 is the highest yet attained despite the effect of a substantial reduction in the price of coal. This results from a fall in the value of the dollar with its effect on oil prices and the availability of Australian and South African coal brought to Europe at a time when freight rates were low."

**FINANCE** "During the year further progress has been made in strengthening the position of your Company. You will note that the £348,274 of unsecured loan stock was repaid on the due date and at the end of the year the long-term liabilities described in the accounts have been reduced by an amount of £158,962. (Retaining Long Term Liability £432,000.)"

**PROSPECTS** In the United Kingdom "I do however anticipate, due to the energy situation, that your Company's products will be in great demand but it may well be that the excellent 1978 results will not be equalled in the current year. The aim is to make further progress in paying off the long-term liabilities this year and when this task is completed we can look forward to the resumption of dividend payments."

**In Belgium** "Present indications are that the sales prices of our product will not recover and that world demand for coal will be affected by the Iranian crisis. These market forces together with the increased efficiency resulting from the concentration of plants make it reasonable to expect that Ryan Europe's results will be substantially improved."

The principal activities of the Company are the recovery of coal from discard tips, coal preparation, plant hire and transport.

Copies of the Annual Report for 1978 can be obtained from:

The Company Secretary,  
L. Ryan Holdings Limited,  
Caerphilly Road, Cardiff CF4 4XL.

The Annual General Meeting is to be held in Cardiff on the 18th April, 1979.

## OIL AND GAS Indonesian oil sites on offer

THE Indonesian State oil company Pertamina is offering new oil exploration sites on a production sharing basis offshore the Natuna Islands, 200 miles north-east of Singapore and 600 miles north of Jakarta.

The sites offered are the Natuna Blocks A, B and C covering 5,020 square km and D-One to D-Six covering 29,980 square km. Tenders are open between June 15 and October 15 this year.

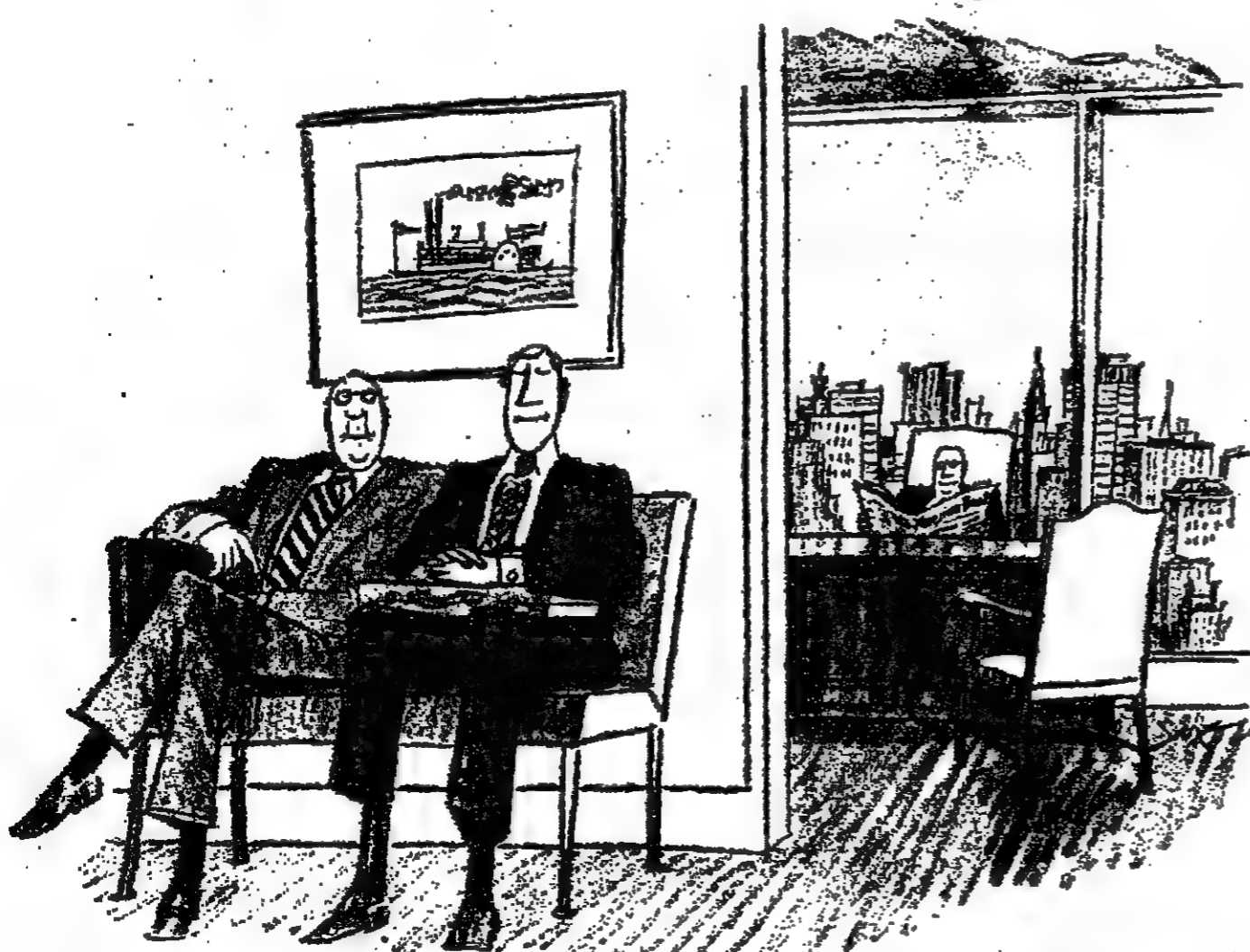
Meanwhile preliminary commercial production has begun at the Udang A development well operated by Conoco under a production sharing agreement with Pertamina.

Output is currently more than 5,000 barrels daily of low sulphur oil. Production of the Udang field could reach daily average of 20,000 barrels by end-1979 if eight other scheduled wells are drilled on time.

A consortium of oil companies, with Cities Service as operator, have begun the first commercial oil production in the Philippines.

The oil, which is being produced at an average daily rate of 11,000 barrels, comes from two wells in the Nido complex off Palawan Island. Five wells are planned for the complex, which is expected to produce an average daily production of 40,000 barrels when development drilling is completed in August.

Other members of the consortium are Oriental Petroleum and Minerals Corporation, Basic Petroleum and Minerals, Landoll Resources and Philippine Overseas Drilling and Oil Development.



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C.P.O. 1486  
Tokyo, 100-91 Japan  
Tel. (03) 443-7615. Cable: Matsushitainc

## Federated Land & Building Company Limited

Year to 31st December, 1978

Profit before tax £923,000 (£863,000)  
Earnings per share 4.46p (3.74p)  
Dividend per share net 2.73p (2.30p)

Main points from the Statement of the Chairman, Mr. James H. P. Meyer

- \* Profits up.
- \* All interest accrued in the year has been written off including £612,000 relating to commercial developments.
- \* First phase of Major Shopping Centre opened on schedule.
- \* When completed will produce £800,000 p.a.
- \* Proposed valuation of completed investment properties expected to show net asset value has been doubled to over £10 million.
- \* Final Dividend 1.99p net.

Copies of the Company's Report and Accounts can be obtained from the Secretary, Federated Land and Building Company Limited, Federated House, London Road, Dorking, Surrey RH1 1SY after it is published on 5th April.

# sterling firm; dollar weak

Improved sharply in foreign exchange markets with sterling firm and dollar weak. The pound rose to 1.9857 from 1.9850 (L198.15) and the French franc improved to 1.1687 from 1.1680 (L168.37). The Danish krone rose to 1.1626 from 1.1618 (L162.32).

Taking each currency's performance in relation to its central rate in ECU terms, the Danish krone was stronger than the lira by 0.02 per cent, compared with a 0.11 per cent increase in the lira over the week to Friday. The latter was stronger than the Irish punt by 0.94 per cent, against 1.06 per cent, reflecting the Irish unit's tendency to move in line with sterling, which was generally firmer. The Danish currency improved against the French franc by 1.35 per cent (1.08 per cent) and Dutch guilder by 1.41 per cent (1.37 per cent); the D-mark by 1.41 per cent (1.41 per cent) and the Belgian franc by 1.95 per cent (1.81 per cent).

FRANKFURT—There was no intervention by the Bundesbank at yesterday's fixing when the dollar eased slightly to DM 1.8640 from DM 1.8644. The OPEC meeting deterred any heavy trading and the U.S. unit moved within a very narrow band.

MILAN—The lira showed a weaker tendency against the dollar and sterling with the former fixed at 1.840.05, compared with 1.839.95 on Friday. Sterling rose to L1.7155 from L1.7107. The D-mark was hardly changed at 1.450.59 from 1.450.50, while the Dutch guilder rose from 1.417.48 to 1.417.45.

TOKYO—The dollar showed a steady tendency against the yen yesterday and closed at ¥206.428, up from Friday's level of ¥206.528. Trading was at a low level throughout, with a majority of dealers waiting for the outcome of this week's OPEC meeting. The Bank of Japan may have intervened during the day in support of the yen, although any small scale operations would have been countered by the renewed dollar demand in respect of export settlements.

## NGE CROSS RATES

ing	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canadian Dollar	Belgian Franc
100	1.0000	1.9857	3.3113	360.81	6.5595	2.0363	3.3757	2036.36	66.25	203.63
100	0.487	1.0000	1.688	736.33	13.7603	4.348	7.461	475.24	16.63	5.208
100	0.889	0.535	1.000	110.9	20.76	6.5595	11.03	715.24	33.33	10.36
100	1.155	0.889	1.000	128.5	24.84	8.255	13.76	866.24	40.76	12.85
100	0.889	0.498	0.825	102.7	18.13	5.859	10.00	636.24	33.33	10.36
100	0.889	0.889	1.000	128.5	24.84	8.255	13.76	866.24	40.76	12.85
100	0.889	0.889	1.000	128.5	24.84	8.255	13.76	866.24	40.76	12.85

## CURRENCY INTEREST RATES

Swing nominal rates were quoted for London dollar certificates of deposit one month 10.20-10.30 per cent; three months 10.35-10.45 per cent; six months 10.50-10.60 per cent; one year 10.65-10.75 per cent.

ing	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian \$	Japanese Yen
12m	12 1/2-13 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2
6m	12 1/2-13 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2
3m	12 1/2-13 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2
1m	12 1/2-13 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2

n Eurodollar deposits: two years 10 1/2-11 1/2 per cent; three years 10 1/2-11 1/2 per cent; four years 10 1/2-11 1/2 per cent; five years 10 1/2-11 1/2 per cent; six years 10 1/2-11 1/2 per cent; seven years 10 1/2-11 1/2 per cent; eight years 10 1/2-11 1/2 per cent; nine years 10 1/2-11 1/2 per cent; ten years 10 1/2-11 1/2 per cent.

## NATIONAL MONEY MARKET

### European rates steady

In interest rates were steady yesterday, with Paris showing little reaction to the growth in French money growth at the end of March. Money growth slowed in December from 12.1 per cent in November, and 1.1 per cent in 1978.

BRUSSELS—One-month money fell to 7 1/2 per cent from 7 1/4 per cent, while three-month money was unchanged at 7 1/4 per cent; six-month money unchanged at 7 1/4 per cent; and 12-month money unchanged at 8 1/4 per cent. Call money eased to 5.10 per cent from 5.75 per cent.

AMSTERDAM—Call money rose to 7 1/4 per cent from 6 3/4 per cent. One-month was unchanged at 7 1/4 per cent; three-month was unchanged at 7 1/4 per cent; six-month was unchanged at 7 1/4 per cent; and 12-month was unchanged at 8 1/4 per cent.

## ONEY MARKET

### Exceptional assistance

of England Minimum Reserve 13 per cent (March 1, 1979) day credit was in short in the London money market yesterday, and the Bank of England gave an exceptional amount of assistance by an exceptionally large amount of Treasury bills from the Treasury, and a large amount of local authority bills, brought forward small balances, but this was by repayment of the

## ON MONEY RATES

ing	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian \$	Japanese Yen
12m	12 1/2-13 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2
6m	12 1/2-13 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2
3m	12 1/2-13 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2
1m	12 1/2-13 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2	10 1/2-11 1/2

authority and finance houses seven days' notice, others seven days' fixed. \* Long-term local authority rates nominally three years 12 1/2-13 1/2 per cent; four years 12 1/2-13 1/2 per cent; five years 12 1/2-13 1/2 per cent; six years 12 1/2-13 1/2 per cent; seven years 12 1/2-13 1/2 per cent; eight years 12 1/2-13 1/2 per cent; nine years 12 1/2-13 1/2 per cent; ten years 12 1/2-13 1/2 per cent.

# CURRENCIES, MONEY and GOLD

## THE POUND SPOT AND FORWARD

March 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.0428-2.0430	2.0428	0.48-0.50	2.51	0.88-0.90	1.62
Canada	2.3840-2.3842	2.3840	0.48-0.50	2.51	0.88-0.90	1.62
Netherlands	2.10-2.12	2.11	0.48-0.50	2.51	0.88-0.90	1.62
Belgium	60.05-60.10	60.05	0.48-0.50	2.51	0.88-0.90	1.62
Denmark	10.50-10.51	10.50	0.48-0.50	2.51	0.88-0.90	1.62
France	6.55-6.56	6.55	0.48-0.50	2.51	0.88-0.90	1.62
Germany	3.30-3.31	3.30	0.48-0.50	2.51	0.88-0.90	1.62
Italy	16.00-16.01	16.00	0.48-0.50	2.51	0.88-0.90	1.62
Japan	140.00-140.01	140.00	0.48-0.50	2.51	0.88-0.90	1.62
Spain	166.00-166.01	166.00	0.48-0.50	2.51	0.88-0.90	1.62
Sweden	1.32-1.33	1.32	0.48-0.50	2.51	0.88-0.90	1.62
Switzerland	2.00-2.01	2.00	0.48-0.50	2.51	0.88-0.90	1.62
U.K.	1.9857	1.9857	0.48-0.50	2.51	0.88-0.90	1.62
U.S. forward	1.20-1.21	1.20	0.48-0.50	2.51	0.88-0.90	1.62

## THE DOLLAR SPOT AND FORWARD

March 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.0428-2.0430	2.0428	0.48-0.50	2.51	0.88-0.90	1.62
Canada	2.3840-2.3842	2.3840	0.48-0.50	2.51	0.88-0.90	1.62
Netherlands	2.10-2.12	2.11	0.48-0.50	2.51	0.88-0.90	1.62
Belgium	60.05-60.10	60.05	0.48-0.50	2.51	0.88-0.90	1.62
Denmark	10.50-10.51	10.50	0.48-0.50	2.51	0.88-0.90	1.62
France	6.55-6.56	6.55	0.48-0.50	2.51	0.88-0.90	1.62
Germany	3.30-3.31	3.30	0.48-0.50	2.51	0.88-0.90	1.62
Italy	16.00-16.01	16.00	0.48-0.50	2.51	0.88-0.90	1.62
Japan	140.00-140.01	140.00	0.48-0.50	2.51	0.88-0.90	1.62
Spain	166.00-166.01	166.00	0.48-0.50	2.51	0.88-0.90	1.62
Sweden	1.32-1.33	1.32	0.48-0.50	2.51	0.88-0.90	1.62
Switzerland	2.00-2.01	2.00	0.48-0.50	2.51	0.88-0.90	1.62
U.K.	1.9857	1.9857	0.48-0.50	2.51	0.88-0.90	1.62
U.S. forward	1.20-1.21	1.20	0.48-0.50	2.51	0.88-0.90	1.62

## CURRENCY RATES

March 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.0428-2.0430	2.0428	0.48-0.50	2.51	0.88-0.90	1.62
Canada	2.3840-2.3842	2.3840	0.48-0.50	2.51	0.88-0.90	1.62
Netherlands	2.10-2.12	2.11	0.48-0.50	2.51	0.88-0.90	1.62
Belgium	60.05-60.10	60.05	0.48-0.50	2.51	0.88-0.90	1.62
Denmark	10.50-10.51	10.50	0.48-0.50	2.51	0.88-0.90	1.62
France	6.55-6.56	6.55	0.48-0.50	2.51	0.88-0.90	1.62
Germany	3.30-3.31	3.30	0.48-0.50	2.51	0.88-0.90	1.62
Italy	16.00-16.01	16.00	0.48-0.50	2.51	0.88-0.90	1.62
Japan	140.00-140.01	140.00	0.48-0.50	2.51	0.88-0.90	1.62
Spain	166.00-166.01	166.00	0.48-0.50	2.51	0.88-0.90	1.62
Sweden	1.32-1.33	1.32	0.48-0.50	2.51	0.88-0.90	1.62
Switzerland	2.00-2.01	2.00	0.48-0.50	2.51	0.88-0.90	1.62
U.K.	1.9857	1.9857	0.48-0.50	2.51	0.88-0.90	1.62
U.S. forward	1.20-1.21	1.20	0.48-0.50	2.51	0.88-0.90	1.62

## CURRENCY MOVEMENTS

March 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.0428-2.0430	2.0428	0.48-0.50	2.51	0.88-0.90	1.62
Canada	2.3840-2.3842	2.3840	0.48-0.50	2.51	0.88-0.90	1.62
Netherlands	2.10-2.12	2.11	0.48-0.50	2.51	0.88-0.90	1.62
Belgium	60.05-60.10	60.05	0.48-0.50	2.51	0.88-0.90	1.62
Denmark	10.50-10.51	10.50	0.48-0.50	2.51	0.88-0.90	1.62
France	6.55-6.56	6.55	0.48-0.50	2.51	0.88-0.90	1.62
Germany	3.30-3.31	3.30	0.48-0.50	2.51	0.88-0.90	1.62
Italy	16.00-16.01	16.00	0.48-0.50	2.51	0.88-0.90	1.62
Japan	140.00-140.01	140.00	0.48-0.50	2.51	0.88-0.90	1.62
Spain	166.00-166.01	166.00	0.48-0.50	2.51	0.88-0.90	1.62
Sweden	1.32-1.33	1.32	0.48-0.50	2.51	0.88-0.90	1.62
Switzerland	2.00-2.01	2.00	0.48-0.50	2.51	0.88-0.90	1.62
U.K.	1.9857	1.9857	0.48-0.50	2.51	0.88-0.90	1.62
U.S. forward	1.20-1.21	1.20	0.48-0.50	2.51	0.88-0.90	1.62

## OTHER MARKETS

March 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.0428-2.0430	2.0428	0.48-0.50	2.51	0.88-0.90	1.62
Canada	2.3840-2.3842	2.3840	0.48-0.50	2.51	0.88-0.90	1.62
Netherlands	2.10-2.12	2.11	0.48-0.50	2.51	0.88-0.90	1.62
Belgium	60.05-60.10	60.05	0.48-0.50	2.51	0.88-0.90	1.62
Denmark	10.50-10.51	10.50	0.48-0.50	2.51	0.88-0.90	1.62
France	6.55-6.56	6.55	0.48-0.50	2.51	0.88-0.90	1.62
Germany	3.30-3.31	3.30	0.48-0.50	2.51	0.88-0.90	1.62
Italy	16.00-16.01	16.00	0.48-0.50	2.51	0.88-0.90	1.62
Japan	140.00-140.01	140.00	0.48-0.50	2.51	0.88-0.90	1.62
Spain	166.00-166.01	166.00	0.48-0.50	2.51	0.88-0.90	1.62
Sweden	1.32-1.33	1.32	0.48-0.50	2.51	0.88-0.90	1.62
Switzerland	2.00-2.01	2.00	0.48-0.50	2.51	0.88-0.90	1.62
U.K.	1.9857	1.9857	0.48-0.50	2.51	0.88-0.90	1.62
U.S. forward	1.20-1.21	1.20	0.48-0.50	2.51	0.88-0.90	1.62

## WORLD VALUE OF THE POUND

The table below gives the latest available rates of exchange for the pound against various currencies on March 13, 1978, in some cases rates are nominal, and the rates shown should not be taken as being applicable to any particular transaction without reference to an authorized dealer.

Abbreviations: (A) approximate rate; (B) bank rate; (C) commercial rate; (D) direct quotation; (E) indirect quotation; (F) based on U.S. dollar; (G) based on U.S. dollar; (H) based on U.S. dollar; (I) based on U.S. dollar; (J) based on U.S. dollar; (K) based on U.S. dollar; (L) based on U.S. dollar; (M) based on U.S. dollar; (N) based on U.S. dollar; (O) based on U.S. dollar; (P) based on U.S. dollar; (Q) based on U.S. dollar; (R) based on U.S. dollar; (S) based on U.S. dollar; (T) based on U.S. dollar; (U) based on U.S. dollar; (V) based on U.S. dollar; (W) based on U.S. dollar; (X) based on U.S. dollar; (Y) based on U.S. dollar; (Z) based on U.S. dollar; (AA) based on U.S. dollar; (AB) based on U.S. dollar; (AC) based on U.S. dollar; (AD) based on U.S. dollar; (AE) based on U.S. dollar; (AF) based on U.S. dollar; (AG) based on U.S. dollar; (AH) based on U.S. dollar; (AI) based on U.S. dollar; (AJ) based on U.S. dollar; (AK) based on U.S. dollar; (AL) based on U.S. dollar; (AM) based on U.S. dollar; (AN) based on U.S. dollar; (AO) based on U.S. dollar; (AP) based on U.S. dollar; (AQ) based on U.S. dollar; (AR) based on U.S. dollar; (AS) based on U.S. dollar; (AT) based on U.S. dollar; (AU) based on U.S. dollar; (AV) based on U.S. dollar; (AW) based on U.S. dollar; (AX) based on U.S. dollar; (AY) based on U.S. dollar; (AZ) based on U.S. dollar; (BA) based on U.S. dollar; (BB) based on U.S. dollar; (BC) based on U.S. dollar; (BD) based on U.S. dollar; (BE) based on U.S. dollar; (BF) based on U.S. dollar; (BG) based on U.S. dollar; (BH) based on U.S. dollar; (BI) based on U.S. dollar; (BJ) based on U.S. dollar; (BK) based on U.S. dollar; (BL) based on U.S. dollar; (BM) based on U.S. dollar; (BN) based on U.S. dollar; (BO) based on U.S. dollar; (BP) based on U.S. dollar; (BQ) based on U.S. dollar; (BR) based on U.S. dollar; (BS) based on U.S. dollar; (BT) based on U.S. dollar; (BU) based on U.S. dollar; (BV) based on U.S. dollar; (BW) based on U.S. dollar; (BX) based on U.S. dollar; (BY) based on U.S. dollar; (BZ) based on U.S. dollar; (CA) based on U.S. dollar; (CB) based on U.S. dollar; (CC) based on U.S. dollar; (CD) based on U.S. dollar; (CE) based on U.S. dollar; (CF) based on U.S. dollar; (CG) based on U.S. dollar; (CH) based on U.S. dollar; (CI



## Banco di Roma increases earnings and dividend

By CORNWELL IN ROME

IRI increase in net income of over 30 per cent, an overall deposit increase of 10 per cent, and a 10 per cent increase in the Italian banking boom conditions, Banco di Roma's earnings rose by 35 per cent from 1977. Banco di Roma's own resources, including provisions for bad debts, rose by one-fifth to L324bn.

Another major increase in both earnings and activity was reported at the weekend by the Banca Cattolica del Veneto, which while only 21st among Italian banks measured by deposits, ranks third in terms of profits.

The bank is paying a dividend of L210 per share against the equivalent of L175 the previous year. Its deposits rose by over 28 per cent during 1978 to L3,125bn by the end of the year. Its earnings meanwhile advanced less sharply, to L205bn (\$24.3m) from L18bn in 1977.

Finmeccanica, the Italian state-owned holding company grouping several mechanical firms, said its turnover rose by 18.2 per cent to L405bn in the first two months of this year, AP-DJ reports from Rome.

Orders received in the period amounted to L587bn.

## Volvo in talks on Dutch interests

By Charles Batchelor in Amsterdam

THE SWEDISH car-maker Volvo and the Dutch Government are discussing a long-term plan for Volvo Car which would take the Dutch company up to the end of the 1980s. A Volvo Car spokesman declined to give details of the plan, but said a Dutch magazine report that it was worth F1 1bn (\$500m) was "very much exaggerated."

He also denied suggestions that Volvo would pull out of its 55 per cent holding in its Dutch subsidiary unless the Government, which indirectly owns the remaining shares, increases its aid to the company. In January 1978, the Government raised its stake from 25 per cent and provided an aid package worth F1 200m. This was meant to see Volvo Car through until it reached break-even point in 1981.

Volvo Car accounts for more than a quarter of the Swedish company's total car production and is an essential part of the group operations, the spokesman said.

## Jelmoli pays same again

By John Wicks in Zurich

THE ZURICH-BASED department-store concern Grands Magasins Jelmoli booked a slight increase in net profits for 1978 to Sw Fr 8.2m (\$4.9m) after cash-flow at about the previous year's level of Sw Fr 65m.

Group turnover showed a rise over 1977 of 0.7 per cent to Sw Fr 386.4m. The Board is to recommend distribution of Sw Fr 21 per share.

Swiss Food company Roco Conservey, Rorschach announced a sharp reduction in dividends to Sw Fr 6 per nominal share and Sw Fr 30 per bearer share for 1978 from Sw Fr 11 and Sw Fr 55 respectively. Reuter reports from Zurich.

Net profit last year fell to Sw Fr 1.22m from Sw Fr 2.53m in 1977.

The company, which has a share capital of Sw Fr 20m, said the result was partly due to the poor performance by companies in which it participates in Ireland.

## Turkish recession hits major industrial group

By METIN MUNIR IN ISTANBUL

REAL GROWTH of the Koc group, Turkey's biggest private industrial conglomerate, slumped to a mere 1 per cent in 1978 from 15 per cent the previous year.

The decline is indicative of the damage that the Turkish recession, now in its third year, is inflicting on private industry, among the fastest growing in the world before the slump.

Other figures disclosed by Mr. Rahmi Koc, the group's executive committee president, also underline negative developments. Overall capacity usage in 1978 was around 55 per cent. New projects could not be implemented owing to foreign currency constraints. At about \$25m, exports were only half of the targeted figure. In the past two years, moreover, Koc plants have laid off 5,000 workers.

"Performance this year is likely to be worse than last year," said Mr. Koc. This also appears to be the general impression of Istanbul's business community.

Despite the drop in production, however, Koc's turnover and profits in 1978 were higher than ever, the former exceeding the equivalent of \$2bn.

"This is a profit of inflation," said Mr. Koc, fiddling a string of worry beads. "It is unhealthy."

The industrialist said that his group's policy this year would be to complete projects in the pipeline rather than engage in new ventures. He would continue

"economising" on manpower, indicating that layoffs would continue. Expenditure would be cut down. In future, the group would direct itself towards export-oriented fields like tourism, foodstuffs and overseas contracting.

"Exports have become a matter of life and death," said Mr. Koc.

Like most private industrialists in Istanbul, Mr. Koc is depressed and displeased with the economic policies of Prime Minister Mr. Bulent Ecevit's government, he says, is hostile to foreign capital investments and unfriendly to Turkish private industry despite its comments to the contrary.

## French toy company plans U.S. acquisition

By David White in Paris

THE leading French toy group, Compagnie Generale du Jouet, has reached a preliminary agreement to take over Revell, the U.S. maker of plastic model kits.

M. Bernard de Lausun, general manager of the French company, said he expected the take-over to be completed within the next few months, subject to approval by Boards of both companies and by governments.

The preliminary accord with Revell's main shareholders envisages that the group will pass into 100 per cent French ownership.

The planned take-over, the latest in a recent series of U.S. ventures by French companies, ranging from the motor industry to tourism, will not only give CGJ a major foothold in the U.S., but will also fill an important gap in the range of toys produced by its four manufacturing subsidiaries.

M. de Lausun would not comment on the reported purchase price of \$9 per share. Financial details would not be disclosed until they have been put to the company's Board of directors.

CGJ, which is privately held, would ask its shareholders to subscribe to a capital increase to help finance the take-over, he said.

According to the French company, Revell had a turnover of \$47m last year and made a net loss of \$2m. But M. de Lausun said the loss was exceptional, and that he was confident of Revell's underlying profitability.

The CGJ group, which imports toys, as well as making them, had 1978 sales of FF 315m (\$74m). Its main shareholders are Compagnie Financiere, a holding company controlled by M. Edmond de Rothschild, another holding company belonging to the Franco-Belgian Empain group, and Societe Darblay, a paper manufacturer.

## Swedish predicts profit rise

By KAYFETZ IN STOCKHOLM

THE Swedish group with a number of small and consumer products, predicts in its report that 1979 profits will be "at a higher level than recent years."

Turnover was SKr 74.6m up slightly from 1977, but significantly higher than profits during the three years.

Among reasons for the optimistic forecast that a continued to rising early 1979 and sales are being under-

taken to solve the problems of the five companies which showed losses in 1978.

Last year's group turnover was SKr 2.31bn (\$531m), nearly 11 per cent higher than in 1977. Incoming orders were up 22 per cent compared with 1977, and the order backlog at the close of 1978 stood 22 per cent higher than a year earlier, the annual report stated.

Incentive shows 1978 earnings per share as SKr 20, compared with SKr 19, and the group reports a net profit after taxes of SKr 28.4m. The board has recommended unchanged dividends of SKr 6 on ordinary shares, SKr 2.50 on A preference shares and SKr 5 on C preference shares, for a total dividend of SKr 16m.

The five loss-making companies included the two which produce mainly consumer goods—the fishing equipment company Abu which lost SKr 7.7m on a turnover of SKr 145.6m, and the art glass company Orrefors which was SKr 5.8m in the red on sales of SKr 96.9m. Abu is cutting back staff and taking over its own North American marketing.

## Growth in deposits for Laenderbank

By LENDVAI IN VIENNA

LAENDERBANK itself has opted for prudence rather than for all-out expansion in foreign business, according to Dr. Erndl, who added that the foreign exchange share accounted for 26.7 per cent of assets and 25.9 per cent of liabilities.

Deposits were up by 18.6 per cent to Sch.81.5bn. Savings deposits rose by 17.1 per cent to Sch.20.5bn, a much faster growth rate than the 7.2 per cent of 1977. Interest income was 10 per cent higher at Sch.993.1m. Commission income was up by 8.8 per cent to Sch.522m. Cash flow was virtually static at Sch.532m.

Turning to the industrial

holdings of the Laenderbank, Dr. Erndl said that the total labour force was raised by 200 to 18,500 last year, with turnover 12 per cent higher at Sch. 12.9bn as the result of rationalisation and reorganisation measures.

Porr AG, the building company reported a turnover of Sch. 3.12bn and a labour force of 4,780. Turnover this year is likely to be 21 per cent higher.

Chemiefaser Linzing, the man-made fibre producer, achieved sales of Sch. 2.7bn in 1978, with exports accounting for Sch. 2bn. Due to the unsatisfactory price situation, no dividend is likely to be paid for 1978.

## Braun forecasts sharp upturn

FRANKFURT—Braun AG, a subsidiary of Gillette of the U.S., said that its net profit for the year to September 30 totalled DM12.6m (\$6.7m) on sales down by 6.3 per cent from the year earlier when earnings were DM10.1m.

Looking forward to the results of the present business year, Braun's managing board chairman, Mr. Paul Stern, said: "I'm quite bullish," explaining that he expected a dramatic improvement in productivity as the result of investments undertaken in the last business year.

Mr. Stern said he expected significant cost reductions to be achieved by improving the vertical integration of the company and terminating unprofitable product lines to compensate for rising raw material prices, especially in plastics used for many Braun products.

The Braun chairman declared that raising the company's profits and improving its profitability were his main goals for the Gillette subsidiary which he said contributed about 25 per cent of the U.S. parent's turnover.

Braun said in its annual report that it would offer dividends of 17 per cent on common stock and 18 per cent on preferred shares.

Its worldwide sales amounted to DM776m, down from DM812m the previous business year. Sales of the parent company totalled DM538m, down from DM574m the year earlier.

Mr. Stern said that the drops in world and parent company sales could be attributed to exchange rate fluctuations and general economic conditions.

## Satisfactory result from Wartsila

By LANCE KEYWORTH IN HELSINKI

WARTSILA, the Finnish ship-building and engineering company, reported a "satisfactory" result in 1978, largely because the 11 ships delivered during the year had been ordered when prices were higher.

Turnover of the parent company increased by 15 per cent to FM 2.16bn (\$540m), includ-

ing subsidiaries, turnover of the Wartsila group rose to FM 2.27bn.

Order books stood at FM 2.4bn at the end of the year, about the same as at the end of 1977. Some of the 14 new ship orders had to be booked at rather low prices but this was offset by the increase

in orders for diesel engines and for machinery for the wood processing industry.

Exports accounted for 78 per cent of the company's invoicing in 1978. It succeeded in winning new markets in South America and Japan, while maintaining its position in its traditional markets.

## Brooke Bond Liebig Ltd

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Eurocurrency loan  
to finance its expansion in Australia

Provided by

Australia and New Zealand Banking Group Limited

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March 1979



March, 1979

U.S. \$50,000,000

Banco de la Nación Argentina

Floating Rate Notes 1986

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## INTERNATIONAL COMPANIES and FINANCE

## THE WHITE GOODS BATTLE

## Email increases its Kelvinator offer

BY JAMES FORTH IN SYDNEY

EMAIL has come back with a second, but partial, takeover for Kelvinator Australia, the Adelaide-based white goods maker. Email announced at the weekend that it planned to acquire up to 50 per cent of the capital of Kelvinator with an offer of A\$2.30 cash a share. The renewed offer follows several days of heavy share market trading since Email withdrew its initial share and cash bid on Thursday.

Email has been in the market but has met solid opposition from an unidentified buyer. The market contest quickly took the price above the A\$1.60 value of

the original Email approach. At the weekend, before Email announced its new offer, Kelvinator shares closed on the market at A\$2.32. Yesterday they rose a further 10 cents to A\$2.42, with both Email and the other buyer in the market.

Under stock exchange listing requirements, now that Email has again announced an offer it must disclose by noon today, the amount of its Kelvinator purchases, and the prices paid. It must also lift its partial offer to the highest price it has paid. The anonymous opponent is under no such compulsion. The identity of the other buyer is expected to be revealed later this week, but it is suggested

that it is another Adelaide-based appliance group, Simpson Pope Holdings, with the support of a quasi-Governmental body.

The position is finely balanced as Email and its opponent each appear to have built up a stake of close to 25 per cent of Kelvinator. A further 10 per cent is held by the U.S. group, White Consolidated, which also licenses both Kelvinator and Email to produce its white goods.

As a further step in the battle, Email at the weekend placed newspaper advertisements which claimed to set out the background to its bid. Email said that the idea of the two companies conferring to explore

the feasibility of rationalising the appliance industry was first mooted by Kelvinator, and meetings had taken place from July, 1977, and continued into 1978.

In reply, the Kelvinator board said that the company had initiated discussions at management level with Email and other companies in the appliance industry in line with the Australian Government's policy on rationalisation.

In some cases, Kelvinator had been successful in achieving product rationalisation "but this was not possible in the discussions with Email in 1977 and early 1978," they added.

## Hongkong Wharf raises dividend

By Anthony Rowley in Hong Kong

HONGKONG AND Kowloon Wharf and Godown Company's profits after tax for the year to December 31 rose 55.9 per cent to HK\$120.5m (U.S.\$24.5m) from HK\$77.3m in the previous year.

The Board has declared a final dividend of 75 cents a share, making a total distribution for the year of 90 cents—an increase of 38.4 per cent over the previous year's total payout.

Earnings per share rose 40.4 per cent to HK\$1.25 after adjusting for an increase in share capital arising from the conversion of convertible loan stock and the exercise of bearer warrants attached to a loan stock.

Investment properties in the fields of warehousing, retail shops, offices and residential properties had high occupancy levels and yielded increased revenues, the Board said, while hotel interests in Hong Kong and Singapore benefited from increased tourism in both centres.

Public transport subsidiaries (which include the Star Ferry and Hongkong Tramways) had a good year, along with cargo handling facilities. "The programme for the development of the group's real estate holdings is proceeding well," the company said.

## Six Japanese shipbuilders plan reduction in payout

BY YOKO SHIRATA IN TOKYO

SIX MAJOR Japanese shipbuilders have announced plans to cut their dividends for the current fiscal year ending March 1979. Among the six, Mitsubishi Heavy Industries (MHI) will reduce its dividend by less than the others.

Mitsubishi Heavy Industries' business performance for fiscal 1978 is far worse than expected, with a dip in sales and new ship orders which were coming with heavy competition in the non-marine division, such as in plant and prime movers. MHI sees sales at ¥1,270bn (\$8.3bn) a decline of 8 per cent from fiscal 1977. This is ¥40bn short of its original target. MHI faces difficulties in covering its shipbuilding losses by earnings elsewhere. However, with sales of securities of ¥15bn, MHI plans to generate ¥15bn (¥45bn in 1977) of operating profits and

net profits of ¥10bn (¥15bn in fiscal 1977).

Ishikawajima-Harima Heavy Industries (IHI) seems to have little choice in cutting its dividend. On one hand, it is faced by a ¥30bn bill to finance 4,610 voluntary retirements.

Mitsui Shipbuilding and Engineering's ship exports accounted for more than half of turnover which was hit hard by yen appreciation. The company sees a sales decline of 15 per cent to ¥255bn (¥298bn in fiscal 1977), an operating loss of ¥4.3bn against profits of ¥8.1bn and a net loss of ¥8bn (profits of ¥2.4bn).

Hitachi Shipbuilding and Engineering still depends upon its marine division more than do the others. As a result, the company was hit by the heavy slump in the world shipbuilding

market. Despite a drastic rationalisation of its workforce, it still has 2,000 surplus workers and it expects a sales drop of 25 per cent to ¥260bn for fiscal 1978.

Kawasaki Heavy Industries estimates its sales at ¥300bn, down 12 per cent from the fiscal 1977 level. The shipbuilding sector was not balanced by other divisions such as motor-cycles and general engineering, and exports of motor-cycles also dwindled because of the yen appreciation.

Sumitomo Heavy Industries is similarly unable to cover its shipbuilding losses. The company estimates its sales at ¥200bn, down 25 per cent over fiscal 1977. But it hopes to secure ¥500m worth of operating profits (¥8.2bn in fiscal 1977) by sales of its assets.

## Fairfax issue launched as profits rise

By Our Sydney Correspondent

JOHN FAIRFAX, the media group, has announced a one-for-four scrip issue after a 31 per cent increase in earnings, from \$A4.9m (\$U.S.\$5m) to \$A6.5m in the December half-year.

The interim dividend has been set at 4.25 cents a share, compared with 5 cents in the first half of 1977-78. It will be paid on the increased capital, resulting in a slight improvement for shareholders.

The directors said the group's five Sydney newspapers operated profitably, taken as a whole, compared with a substantial loss in the same previous period. Of the \$A6.5m profit, television contributed \$A2.8m, newspaper, magazine and radio \$A2.8m and investments another \$A700,000.

The higher result followed a sales gain of almost 38 per cent from \$A106m to \$A146m. The directors cautioned that they did not expect the profit growth to be maintained for the rest of the year.

Meanwhile the diversified industrial group Burns Philp has launched a \$A10m counter bid for Adelaide-based milling packaging and shipping group, William Charlick. The offer comes five weeks after Southern Farmers Holdings, which is closely associated with corporate takeover specialist, Industrial Equity Ltd, made a cash bid worth just over \$A8m.

## EGYPTIAN BORROWING

## Welcome for Eurocurrency move

BY OUR CAIRO CORRESPONDENT

EGYPT'S exploratory move into the Eurocurrency capital markets to raise funds under its own guarantee is likely to be favourably received.

This is the consensus of opinion in foreign banking circles in Cairo to last week's news that the Egyptian Government had given a mandate to four Arab banks to raise up to \$300m in syndicated loans.

Speculation abounds as to why Egypt—currently fairly flush with foreign exchange—should want to raise money now on the Euromarkets.

Apparently, Hamed al-Sayeh, the Minister of Economy, wanted to establish Egypt's international credit rating on the crest of a peace treaty signature—against, it seems, a better judgment of certain top officials at the Egyptian Central Bank.

This is important for Egypt. Only two years ago, in the wake of the January bread riots, the country was on the brink of bankruptcy. The \$250m Eurodollar loan soon afterwards sponsored by Chase Manhattan Bank was guaranteed by GODE, the Gulf Organisation for the Development of Egypt. This latest loan will be an entirely Egyptian affair.

The government may also run embarrassingly short of day-to-day cash if negotiations with the IMF do not produce posi-

tive results—which seems a distinct likelihood at present. Indeed last summer's \$600m Special Drawing Rights (SDR) extended credit agreement may have to be renegotiated because guidelines have been consistently broken. The government has not had recourse to SDR 125m of the second and third tranches of the IMF arrangement.

Speculation abounds as to why Egypt—currently fairly flush with foreign exchange—should want to raise money now on the Euromarkets.

ment and stands to lose a further SDR 50m for the fourth tranche due in mid-May.

Although the Arab oil states' direct economic hold over Egypt is now minimal, cutting the payments to those agreed at the Khartoum and Rabat summits could find Egypt short by around \$200m a year. Furthermore, \$400m in Eurodollar borrowings were written into this year's budget.

The latest Eurodollar loan, therefore, kills two birds with one stone—establishing Egypt's credit rating and providing day-to-day financing.

Of the borrowing itself, \$300m will be for specified development projects (mostly in the

electrical power sector) within the five year plan and the remaining \$100m will be used to help finance four DC10s which Egyptair has signed a letter of intent to purchase.

Although the borrower is the Central Bank of Egypt and the guarantor is the Government of Egypt, the two loans are for all intents and purposes separate entities, only having in common an approximate maturity date of eight years.

The \$300m loan is being pitched 1½ per cent above libor for a three-year period, and 1½ for the remaining five years of its life. The aircraft loan is a flat 1 per cent above libor and has a grace period extending six months beyond the delivery of the first aircraft in the third quarter of next year. The last payment is due in September 1986.

Unlike the \$200m portion which is essentially an all-purpose balance of payments loan, the aircraft credit is being carefully dovetailed into U.S. Eximbank funding.

According to banking sources here, Eximbank is considering providing up to 42½ per cent of the \$215m cost of the DC10. For Egypt, the participation of Eximbank will be almost as important as the Eurodollar loan itself in establishing the country's credit ratings.

## TDK Electronics confident

BY DONALD MACLEAN

TDK ELECTRONICS Company, which claims to be the world's largest manufacturer of ferrite and the leading producer of magnetic recording tapes in Japan, expects its consolidated sales and net profits for the current year to November to rise by some 7 per cent.

In 1977-78, the company reported a rise of 20.6 per cent in sales to ¥126.21bn (\$816m), while its net income increased by 11.4 per cent to ¥12.38bn (\$80.4m). TDK believes that "severe economic circumstances" will continue during the current fiscal year, in spite of its expectation of "moderate" improvement in sales and profits.

It has met increased labour costs and other expenses as well as losses arising from currency fluctuations through the rationalisation of production facilities and through the lower cost of raw materials.

## China Provident boosts earnings

BY ANTHONY ROWLEY IN HONG KONG

CHINA PROVIDENT, a property-development subsidiary of Hutchison Whampoa, has announced consolidated after-tax profits of HK\$75.45m (US\$15.33m) for the year to December 31, an increase of 49 per cent over the previous year.

However, although the amount available for distribution to shareholders increased by a similar proportion, to HK\$71.77m, China Provident is in fact reducing its final dividend payment.

This is being done pending a decision on funding options for a number of the company's developments. China Provident says various developments currently planned are estimated to cost around \$610m, of which over two-thirds relates to commercial-residential redevelopment at the company's North Point Godown and Industrial location.

Design and planning for this development is completed and as soon as re-zoning is agreed with government and a conversion premium agreed, development will begin—probably around the end of the third quarter of this year.

Design and planning for this development is completed and as soon as re-zoning is agreed with government and a conversion premium agreed, development will begin—probably around the end of the third quarter of this year.



## THE SAITAMA BANK, LTD.

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Certificates of Deposit  
Maturity date 30th September 1981

In accordance with the provisions of the Certificates of Deposit notice is hereby given that for the six-month interest period from 27th March 1979 to 27th September 1979 the Certificates will carry an Interest Rate of 11½ per annum.

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Sumitomo Finance International

AGENT BANK

The Sumitomo Bank, Limited

March, 1979

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ESPAÑOLA DE AUTOPISTAS, S.A.

U.S. \$42,000,000

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AGENT BANK

The Sumitomo Bank, Limited

March, 1979





# h boost French farmers

Commodities Staff

NCH Government is to help to boost pig rearing returns with 'loan' of FFfr 30m

aid bring the total into the industry's liquidation funds since 1978 to about (£16.5m), according to the French Meat and Livestock Commission.

qualifications funds only to members of groups, pay out bring market prices to pre-set guide

y the groups are pay back the money when market d the guide levels.

ve follows recent by Brittany have been demand- imports of livestock since from Belgium, West Germany.

users claim, as do, that the Com- t's monetary currency subsidies on a "strong" currency give shippers an

ing for rice pact

UN Food and Organisation conference de- latched a call for a rice agreement

Philippines' President Marcos. intergovernmental, made up of pro- consumers, has

seeks to avert a rice shortage of

osed international ment may place ocks under inter- atrol through the of releases at pre- prices to ensure

for this year are liability of rice for the significantly t demand, the FAO

# Doubts over Zaire claim of normal copper sales

BY JOHN EDWARDS, COMMODITIES EDITOR

ZAIRE STATE metals trading company, Sozacom, said last night that it would meet its March delivery contracts in full as production had recovered to normal.

But the announcement was greeted with considerable scepticism by London dealers who said most consumers in Europe were suffering from shortages in Zaire copper supplies, with some still waiting for 1978 shipments to be delivered.

A Sozacom spokesman in Brussels told Reuters that Zaire copper production would rise this month to 32,000 tonnes from 18,000 tonnes each in January and February. He added there were no problems with production and that output would reach 32,000 tonnes.

London market sources, however, painted an entirely different picture. Some consumers are reported to have

received little or no copper from Zaire this year and very few have received their full March allocation.

It is feared there will be even greater shortfalls in April. Even if production in Zaire is stepped up, which is greatly doubted, there is still the problem of getting the copper out of the country. It was noted that the fall in production of 18,000 tonnes during the first two months means that annual output is likely to fall well short of the target of more than 400,000 tonnes, even if production is sustained at a higher level for the rest of the year.

Meanwhile copper prices lost ground on the London Metal Exchange yesterday reflecting the sharp sell-off in New York on Friday evening.

But the undertone of the market remained firm, and prices rallied strongly encouraged by an upturn in New York Cash wirebars as a result closed \$9.50 down at \$1,053 a tonne

when a larger decline had seemed likely.

The rally in prices was attributed to the rise in gold, further prices to \$1 a pound by several U.S. copper producers and a bigger-than-expected fall in LME warehouse stocks.

Other metal markets were relatively quiet. Aluminium prices reached new peaks as the squeeze on available supplies tightened. Warehouse stocks fell by 100 tonnes to 12,600 tonnes. Tin stocks were also down by 120 to 1,685 tonnes.

Lead stocks rose marginally by 100 tonnes to 16,745 tonnes, while zinc stocks increased by 1,225 to 72,350 tonnes. Cominco of Canada confirmed that it was raising its producer price for zinc in the U.S. by 2 cents to 39.50 cents a pound.

LME silver holdings fell by 200,000 to 21,260,000 ounces. The rise in silver prices reflected the upturn in gold.

# Slow start to farm price talks

By Margaret Van Hatten in Brussels

M. PIERRE Mehaignerie, the French farm minister, yesterday opened negotiations for this year's farm price review by urging his EEC counterparts to reach an agreement on the package before them by April 1.

But judging by the pace of the opening session he is likely to be disappointed. Ministers did not start formal talks until 5 pm having spent the previous hours in informal bilateral talks.

They were expected to break off early in the evening after initial discussions on the Commission's proposals for a price freeze for the coming year, for "green" devaluations for Britain, France, Italy, and Ireland and for a levy on milk production.

No substantive results were expected last night but it is widely hoped that the "green" devaluations will be approved today.

The French may delay agreement in an attempt to win British approval for a plan, agreed by the other eight earlier this month, for phasing out monetary compensatory amounts. Since Britain shows no sign of agreeing to this plan, other member states hope the French will not insist.

At this stage, the prospect of agreement on prices and the milk levy appear remote. Mr. John Silkin, the UK Agriculture Minister, will return to Britain tomorrow for the confidence vote due to be held in the Commons, and the French and German ministers will be returning to their capitals for cabinet meetings.

France, as president of the Council of Ministers, is asking the ministers to return to Brussels on Thursday for a marathon session which would set up the package.

# U.S. holds key in rubber pact talks

COMMODITY AGREEMENTS

BY SAJJ KHINDARIA IN GENEVA

NEGOTIATIONS FOR an international rubber pact opened in an atmosphere of optimism here yesterday. Much depends on the stance taken by the U.S. at the last rubber negotiating conference in November. The U.S. created stalemate by opposing most of the key economic elements sought by producers for the planned agreement.

Rubber is one of the ten "core" commodities for which international arrangements must be concluded under Unctad's (U.N. Conference on Trade and Development) integrated commodity programme.

The agreement in Geneva reflects this overall situation. Producers want to ensure that the synthetic industry is held at bay and the consumers want to ensure that they will get enough supplies at fair prices.

The November session of the negotiating conference on rubber made considerable progress towards a compromise draft text on the main economic elements of the planned agreement.

All the rubber producing countries, and several consuming nations, agreed on a package of provisions which key elements were: a buffer stock of 400,000 tonnes backed by an additional contingency stock of 100,000 tonnes, and a system of "floor" and "ceiling" prices to be maintained through intervention from these stocks.

These countries also agreed that the stocks would be financed equally by importers and exporters through direct government contributions and that the "floor" and "ceiling" prices would be fixed for a 30-month period.

The entire range would be reviewed and revised every 30 months by special vote, but the reference price within this range would be reviewed every 18 months on the basis of the trend in market prices and net changes in the buffer stock holdings.

The U.S. refused to accept these agreed positions. It said the buffer stock should contain at least 600,000 tonnes if it were to be capable of prevent-

ing excessive price fluctuations and keep the price around the long-term trend.

The U.S. also rejected the concept of fixed "floor" and "ceiling" prices saying that the whole range should be adjusted automatically in response to net buffer stock changes. In addition, it insisted on the inclusion of provisions obliging producers to consult with consumers on domestic administrative and fiscal policies likely to affect rubber supplies or prices.

Development

As stated so far, the producers want a reference price for the arrangement of 2.05 Singapore dollars per kilo provided that the accord comes into force this year. The upper and lower intervention prices would be calculated at 15 per cent above or below the reference price with a maximum movement of 30 Singapore cents.

The producers, who are keen to expand output to meet the likely new imports and to fill the gap left by stagnation in the synthetic rubber industry, have also requested that the importing nations should give them financial help for investments in research and development. Industrialised countries have not rejected this suggestion but would like to keep their options open by making sure that any contributions, are entirely voluntary.

The producers have also asked that the importing nations should ensure free access for their products and should remove any existing trade restrictions.

So far almost all producers export rubber in unprocessed or very lightly processed form. Their desire to alter this state of affairs is reflected in the wrangle over the objectives of the agreement. The producers want the accord not only to help them to increase their processing facilities but also to promote their exports and increase their share of the rubber market.

Fluctuations

The proposed agreement will aim at ironing out fluctuations in the world price of natural rubber by establishing a system of reserve stocks which, with help from the Common Fund, buy rubber to prevent prices from plunging below agreed levels and sell it to prevent them from rising too high.

Natural rubber enjoys particularly favourable export prospects for the next decade because of the rising cost of producing synthetic rubber, which is made mainly in the industrialised countries from increasingly expensive oil imports.

Progress in the negotiations for a natural rubber arrangement, begun in 1976, has been remarkably quick compared with the difficulties faced by other commodities in Unctad's integrated programme.

The main reason for this is the realisation by both producers and consumers that severe shortages causing sharp price rises might occur during the next decade if supplies fail to keep up with the annual 5

# 'Meagre' wool guarantee attacked

BY OUR COMMODITIES STAFF

THE "WHOLLY unrealistic" increase in the guaranteed price for 1979 UK wool clip was attacked yesterday by the British Wool Marketing Board.

Mr. Walter Elliot, Board chairman, said he was very disappointed at the "meagre" rise in the wool growers' guarantee price from 110p to 112p a kilo, announced by the Ministry of Agriculture on Friday.

Mr. Elliot pointed out that the guaranteed price could have been substantially increased without any need for additional support from the Exchequer. The Wool Board was holding a substantial sum in its special account built up as a result of good market results during the past few years.

The funds in this special account could have been used to support a "substantial and realistic" rise in the wool price, especially in view of the stable outlook for the market this year.

Mr. Elliot pointed out that the average market price for the 1979 clip is above the guaranteed level, it should at least be possible to make a supplement-

the board was also looking at the possibility of adding some- ary payment to producers. But thing from its own reserves to the guarantee.

The National Farmers' Union also said that the rise in guaranteed prices for wool and sheep were not enough. Commenting on the rise in the fat sheep guarantee from 127p to 140p a

kilo, Mr. Richard Butler, NFU president, pointed out that sheep farmers are suffering severe problems because of the hard winter.

The UK Government continues to fix guaranteed prices for sheep and wool growers because so far the EEC has failed to agree on the terms of a proposed common policy for sheepmeat.

# Milk output jumps again

THE AMOUNT of milk used in butter production rose sharply in England and Wales last month as sales off farms continued to rise and the amount drunk slipped back after the modest recovery in January.

Total sales off farms, at 947.7m litres, were 3.1 per cent higher than in February last year. The amount for manufacturing jumped 7.7 per cent to 441.3m litres and liquid sales fell back almost 3m litres to 506.4m.

The Milk Board believes industrial disruption and bad

weather may have contributed to the 0.5 per cent fall in doorstep sales.

Milk production is clearly well on the way to matching or even exceeding the forecast of a 3.5 per cent increase this year published by the board.

This year at least Common Market attempts to tax farmers out of milk production will have little impact in England and Wales.

There is, however, some indication that EEC plans are dampening down Scottish producers' expansion schemes.

# Thailand to curb exports of tapioca

BANGKOK — Thailand has agreed to restrict tapioca exports to European Economic Community countries this year to not more than the 1978 level, according to Fine Oliva Ganach, EEC Agriculture Commissioner.

# COMMODITY MARKETS

Metals

but well above the levels on the late March 27, 1979. Turnover 7,285 tonnes.

After opening under pressure, the market fell away during the sharp fall on Friday evening. However, the market steadied the lower levels and closed up strongly on the late March 27, 1979. U.S. producer price on LME Comex, turnover 10,950 tonnes.

Standard three months 27,300, 25, 20, 15, 10, 5, 0, 10, 15, 20, 25, 30, 35, 40, 45, 50, 55, 60, 65, 70, 75, 80, 85, 90, 95, 100, 105, 110, 115, 120, 125, 130, 135, 140, 145, 150, 155, 160, 165, 170, 175, 180, 185, 190, 195, 200, 205, 210, 215, 220, 225, 230, 235, 240, 245, 250, 255, 260, 265, 270, 275, 280, 285, 290, 295, 300, 305, 310, 315, 320, 325, 330, 335, 340, 345, 350, 355, 360, 365, 370, 375, 380, 385, 390, 395, 400, 405, 410, 415, 420, 425, 430, 435, 440, 445, 450, 455, 460, 465, 470, 475, 480, 485, 490, 495, 500, 505, 510, 515, 520, 525, 530, 535, 540, 545, 550, 555, 560, 565, 570, 575, 580, 585, 590, 595, 600, 605, 610, 615, 620, 625, 630, 635, 640, 645, 650, 655, 660, 665, 670, 675, 680, 685, 690, 695, 700, 705, 710, 715, 720, 725, 730, 735, 740, 745, 750, 755, 760, 765, 770, 775, 780, 785, 790, 795, 800, 805, 810, 815, 820, 825, 830, 835, 840, 845, 850, 855, 860, 865, 870, 875, 880, 885, 890, 895, 900, 905, 910, 915, 920, 925, 930, 935, 940, 945, 950, 955, 960, 965, 970, 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A list of the constituents is available from the Publishers, the Financial Times, Bracken House, 1, Cannon Street, London, EC4A 3DF, price 13p, by post 22p.

16	Investment Trust Pref. (15)	51.00	13.87	50.60	50.16	50.16	50.16	50.16	50.16
17	Coml. and Indl. Pref. (20)	71.81	13.21	71.31	71.18	71.18	71.27	71.01	71.11

† Redemption yield. Highs and lows record, base dates and values and constant changes are given for the issues. List of the constituents is available from the Publishers, 100 Nassau Street, London, E.C.P. 4B, Africa.

† The Financial Times, Brackley.

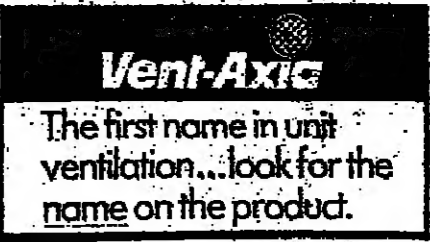
## OFFSHORE AND OVERSEAS FUNDS

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## NOTES

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## All but four new sea oil blocks earmarked

BY KEVIN DONE, ENERGY CORRESPONDENT

THE DEPARTMENT of Energy has conditionally awarded 42 of the 46 blocks on offer under the sixth round of offshore licensing on the UK Continental Shelf.

Blocks have been offered to most of the big oil companies already operating in UK waters, with the exception of Texaco and Conoco. Esso did not apply in this round.

The sixth round, smallest since UK offshore licensing began in 1964, will open up new exploration territory in the south-western approaches and to the north-west of the Shetland Islands. As in the fifth round, the British National Oil Corporation will take at least a 51 per cent equity interest in all new licences.

There are several new features in the sixth round, in which companies were invited to offer the state oil company a greater equity interest, or to carry some or all of BNO's exploration costs.

Mr. Anthony Wedgwood Benn, the Energy Secretary, said

yesterday that new conditions had been a success. BNO's share of exploration and appraisal costs would be carried, in whole or in part, in more than half the new blocks.

In several blocks BNO of British Gas had been offered an extra equity interest. BNO had been offered options in some cases to buy or sell additional quantities of oil or natural gas liquids found under sixth-round licences.

Before definitive licences are awarded oil companies must agree to an obligatory work programme with the Department of Energy, and conclude a joint operating agreement with BNO.

Mr. Benn said yesterday that he hoped that some sixth-round agreements would be completed by the summer, to allow exploration drilling to begin before the end of the year.

The state holding on the UK Continental Shelf had been increased to about 25 per cent. In the present round, state corporations would take about 60 per cent of the licence equity

on offer, while the share going to British companies would be 65-70 per cent.

The four blocks not allocated are 208/20, to the north-west of Shetland, and 106/10, 107/11 and 104/20, in the Celtic Sea area.

Texaco, the most notable applicant to be refused acreage in this round, failed because its offer to take unattractive acreage as long as it was also awarded some of the most attractive blocks was not accepted by the Department.

Groups led by Phillips Petroleum, Amoco, Placid Oil, British Gas and British Petroleum have all been awarded blocks in the south-western approaches off Cornwall.

This is a major new exploration area, where drilling has only recently begun. BNO has just finished the first wildcat well in the area—no results have been released—and a second has been started by BP.

North Sea and 'encouraging' Page 5; Parliament Page 5

## Tories have doubts over vote pledges

BY RICHARD EVANS, LOBBY EDITOR

AS THE political manoeuvring over the Government's fate continued at Westminster yesterday, Ministers believed that the odds remained against survival but that all was not yet lost.

That view was shared by Conservative leaders, who still found it hard to be totally confident of the assurances from their allies in the minor parties.

All 13 Liberals and the 11 Scottish Nationalists are still determined to vote for the Conservative motion tomorrow, but the position of the three Plaid Cymru MPs remains uncertain.

An announcement of their voting intentions will be made at Westminster and Cardiff press conferences today after a meeting with Ministers.

The Welsh Nationalists, who might thwart Mrs. Thatcher's hopes of a spring election if the Ulster Unionists abstain, are pressing for a guaranteed Parliamentary timetable to rush through their promised Bill to compensate 'late quarry workers' for dust-related diseases.

The timetable involves publication and first reading of the Bill before tomorrow's division. A complication in the tight Commons arithmetic is that Mr. Nicholas Edwards, Conservative spokesman on Wales, has, with the authority of the Shadow Cabinet, promised to match the Government's compensation scheme.

There were indications that the Welsh Nationalists were seeking to make the most of

their bargaining power by trying to backdate the compensation and insisting that the Bill should become law by mid-May. Their demands were being considered by Mr. Callaghan, Mr. Michael Foot, Leader of the Commons, and other Ministers last night.

Some Ministers believed that any further attempt to offer political bribes could be counter-productive. Whether they will continue to believe so if there are no more than one or two potential votes needed for survival remains to be seen.

The Ulster Unionists' position might remain uncertain until the last moment. The present assumption is that nine, including Mr. Enoch Powell, will vote with the Conservatives, and one, Mr. John Carson, for the Government.

Mr. Gerry Fitt and Mr. Frank Maguire, the two Irish Independents, are expected to abstain.

That would mean a Government defeat by two votes: sufficiently close to give Labour optimists slight reason for hope.

Our Labour Editor writes: The Transport and General Workers' Union has handed over a cheque for £150,000 for Labour's general election campaign to Mr. Norman Atkinson, the party's treasurer.

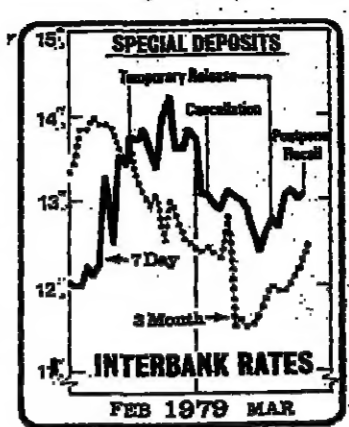
The money was voted by the TGWU last year in response to the party's appeal for a film fighting fund when an election in October seemed likely.

Parliament, Page 5

## A damp squib from Gulf Fisheries

THE LEX COLUMN

Index fell 43 to 530.3



If Gulf Fisheries were a recognised force among the world's great financial institutions, then its attempts to get two nominees on the Lornho Board would have to be taken seriously. But it is not. If Lornho's shares were widely held by institutional investors, then the tone of Gulf's circular—which is neither punchy nor specific—might have had an impact. But they are not: they are mainly small shareholders who presumably like Lornho's management style. As it is, there seems to be no reason for them to turn against their Board in favour of Gulf's little known nominees.

This is not to deny that Lornho's stock market status would benefit if, as Gulf suggests, it were to improve its communications with investors, and reappraise some of its accounting and acquisition policies. The question is whether Gulf could actually make such a contribution.

Its only real hope of winning the forthcoming poll lies in shareholders' inertia. If few enough bother to vote, then Gulf would only have to gain a few per cent of the independent votes to turn its 21 per cent cheque for a winning majority. But that would hardly provide its nominees with the kind of power base that they would surely need if they then proposed to take on the whole of the existing Lornho Board.

Gulf at one period had two representatives on the Board, who resigned in 1976 without seeking to nominate replacements. Now that the two sides have reached the point of open warfare, the best solution would be for them to look for a way of unwinding their relationship. As a result of Lornho's failure to make a mark in the Middle East, the liaison has lost its point.

Rockwell/Wilmut

At least two aspects of last Friday's developments in the Rockwell/Wilmut and Breeden affair should be attracting the attention of the executive of the Takeover Panel, which is currently seeking evidence from those involved. The first concerns how a bidder who only four days previously had indicated a bid price of 95p a share could suddenly initiate a market raid which mopped up almost 30 per cent of Wilmut's shares at 115p and led to an offer for the remainder at that price. The second subject for

investigation will be how a number of institutions were persuaded to sell out in the market at short notice, without waiting for any arguments from the Wilmut Board.

Rockwell's advisers, Warburg and Lazard, will have to show that there was no intention to soften up the market by producing what was a deliberately disappointing figure (it led to a sharp fall in the share price). Explanations for the sudden change of mind on Rockwell's part seem to vary. One firm suggestion is that the strong rejection by Wilmut on Wednesday implied good figures to come—though Rockwell never actually received the 1979 projections which it said it wanted to see before any offer was forthcoming. Another story is that Rockwell executives came back with renewed enthusiasm after a visit to France, where Wilmut has big operations. But it is odd that they should have fixed a price before such an important trip.

As for the market raid, were any promises or undertakings given in persuading fund managers to sell out before giving Wilmut a chance to speak? Unless the Panel is fully satisfied on both these points it should be prepared to take a very tough line.

U.S. bank reform

If the current threatened foreign bank invasion of the U.S. has done nothing else, it has underlined what a topsy turvy world American banks live in, domestically.

By opening branches in more than one state and indulging in investment banking business—domestic banks are barred from both activities—the foreign banks have highlighted the anomalies in the U.S. regulatory system. Indeed, the large U.S. money centre banks, much to the chagrin of the smaller U.S. banks, have often actively supported the foreign invasion in the hope that it might precipitate changes in the rules which would allow them to branch nationwide and move into the lucrative investment banking business.

The passage of the International Banking Act last year put a stop to some of the worst anomalies, but the situation is still not satisfactory. How, for instance, can the U.S. authorities judge whether Hong Kong and Shanghai's proposed acquisition of Marjorie Midland is in the public interest when no major U.S. bank would be allowed to bid for it because of anti-trust rules?

This is just one area which is taxing the minds of the harassed U.S. bank regulators. But there are plenty of others. The geographical barriers, already broken down by the big banks' expansion in consumer finance on a nationwide basis. Finance America, part of Bank of America, operates 373 offices in 39 states.

The thrift institutions are now actively competing with the commercial banks although they are not supposed to, and Sears, the major U.S. retailer, is thinking of issuing \$1,000 certificates of deposit to its credit card customers. Holders of American Express cards are able to obtain cash anywhere in America from automated money dispensers—even though American Express does not operate as a domestic bank. The old demarcation lines have long since lost their relevance.

The trouble with the current system is that it was designed to prevent a repetition of the banking collapse of the 1930s—a point underlined by the U.S. Controller of the Currency, Mr. John Heimann, at a London banking conference yesterday. The main aim was to protect financial institutions against failure. As a result, the rules drawn up were 'essentially anti-competitive.' This might have made sense in the 1930s but it is woefully inappropriate these days.

## Tax loss '£10bn a year'

BY DAVID FREUD

THE BLACK economy—earnings which evade the tax net—may well amount to about 7½ per cent of gross domestic product, Sir William Pile, chairman of the Board of Inland Revenue, told a Commons committee yesterday.

This was equal to one worker in eight not declaring £1,000 of his income each year, he told the general subcommittee of the Commons Expenditure Committee.

Sir William also expressed concern about a high staff wastage, which was 30 per cent a year in some parts of the Revenue.

His estimate is the first a senior official has given in public of the possible size of the black economy. The figure implies a total of roughly

£10bn. In the current financial year.

Sir William emphasised that there was no way of measuring accurately the extent of the black economy, but he and other senior tax officials 'thought it was not implausible for it to be 7½ per cent of GDP, or thereabouts.'

He believed the growth had occurred over the past 10 years and that the problem was getting worse.

'I am sure that this black economy is losing us revenue and eroding the integrity of tax-paying generally,' he said. 'We have traditionally had a great deal of tax-paying integrity and it would be very sad if it went.'

The abuse was difficult for the Inland Revenue to combat. 'Even with more staff it is a

very difficult and drawn-out business.'

Sir William said the Revenue was losing staff in four key areas: at clerical level, in evaluating, computing and among inspectors.

Clerical staff turnover was 25 to 30 per cent a year. Wastage among computer executive officers was more than 20 per cent—a loss common throughout the Civil Service because of higher pay in private industry.

Sir William estimated wastage among professional valuers at 17 per cent a year and said that while the highly-trained tax inspectors seemed to have more fidelity, there was a worrying loss of staff in that area, too. 'You can't build up a department of state like this,' he added.

## Bank of Italy halted by loans affair strike

BY PAUL BETTS IN ROME

ALL CENTRAL Bank activities, except foreign exchange dealings, were halted yesterday for the first time in the history of the Bank of Italy.

This was the result of an unprecedented strike by Bank of Italy's staff in protest against the arrest at the weekend of Sig. Mario Sarcinelli, a joint deputy director general of the Central Bank, and the charges made against Dr. Paolo Baffi, the governor, in connection with the granting of cheap loans to Società Italiana Resine (SIR), one of Italy's major chemical groups.

The sensational events of the past three days have caused growing alarm in view of their possible domestic and international repercussions. The Italian Banking Association, ABI, has called an urgent meeting today to review the situation.

Magistrates yesterday interrogated Sig. Sarcinelli and a number of Bank of Italy officials, and are expected to question Dr. Baffi today. The magistrates were also reported to have confiscated Dr. Baffi's passport.

The senior management of the bank have vigorously denied charges against Sig.

Sarcinelli and Dr. Baffi, both widely respected. The charges allege that they aided and abetted 'irregular personal interests in the course of official duties.'

The senior management also indicated yesterday that it intends carrying out its threat of resigning en bloc unless Sig. Sarcinelli is immediately released and an immediate judicial inquiry clears Dr. Baffi and Sig. Sarcinelli.

The charges relate specifically to allegations that both Sig. Sarcinelli, head of the bank's vigilance committee, and Dr. Baffi failed to notify the judicial authorities about the findings of a Central Bank inspection into subsidised credits granted to SIR by the Sardinian special credit institute, Credito Industriale Sardo (CIS).

The Bank of Italy vigilance activities involve among other things, periodic inspections of individual banks as part of the Central Bank's function of safeguarding the interests of depositors. In cases of irregularities, the Bank of Italy reports to the judiciary.

Chemical industry crisis, Page 2; La Malfa obituary, Page 2

## Lornho takeovers under fire

BY ANDREW TAYLOR

GULF FISHERIES, the Kuwaiti group which is attempting to unseat two Lornho directors and replace them with two of its nominees, was said yesterday to be critical of several of Lornho's recent UK purchases.

Mr. Tom Ferguson, one of the two Gulf nominees, said: 'I would hardly think that Brentford Nyons was one of the best acquisitions in the world and we also have doubts about Lornho's purchase of Dunford and Elliott.'

Gulf, which has a 21 per cent stake in Lornho and has criticised the group's poor share

price performance, yesterday sent a document to Lornho shareholders explaining why it wants to put its nominees on the board.

It said its nominees would examine Lornho's accounting policies—which have recently been criticised. They would also look at the likely effects on investors of projects currently being considered by Lornho.

At a news conference yesterday the nominees, Mr. Ferguson and Mr. Euan MacDonald, also criticised Lornho's management image. But Mr. Ferguson said he could not criticise Lornho's recent moves to buy Scottish

and Universal Investments. 'We just do not know enough about this purchase—which perhaps is another reason for criticising Lornho.'

In its document Gulf says it wants to improve communications between existing and potential investors.

The main thrust of Gulf's criticisms, however, is aimed at Lornho's share price performance. Mr. Ferguson questioned whether the group should be permitted to use its own shares for acquisitions—when Lornho itself had repeatedly said that its share price was too low.

Continued from Page 1

## Pound rises

The Government yesterday responded to the money market pressures caused by recent large sales of gilt-edged stock by postponing from this Friday until May 8 the recall of about £455m of special deposits. These are funds which have to be deposited with the Bank of England by the banking system and have been temporarily released to ease current liquidity pressures.

The postponement of the call reflects the authorities' desire to reduce very short-term interest rates, partly to discourage inflows from abroad, while pushing up three-month rates by lending to the discount market at Minimum Lending Rate of 13 per cent.

The latest pressures have arisen following the near sell-out of last week's issue—

attracting just under £300m in its partly-paid form. According to the Bank, this has 'helped sustain stringent conditions in the money market and substantial pressure on the reserve asset position of the banking system.'

The Bank emphasised that yesterday's move, 'like similar earlier operations, is solely a technical market smoothing operation' and 'implies no relaxation of the present policy of continuing monetary restraint.'

The postponement of the recall follows similar moves to ease the liquidity pressures of the banking system over the last six weeks in response to the heavy gilt sales. This has involved the temporary release of about £1.3bn into the system.

## KME 'hives down' its assets

By John Elliott, Industrial Editor

LEADERS of the loss-making Kirby Manufacturing and Engineering workers' co-operative have renewed attempts to save jobs in their loss-making Merseyside factory by selling the enterprise's assets to KME Ltd, a dormant subsidiary.

Mr. Jack Spriggs, one of the co-operative's two convenor directors, said last night that the assets had been 'hived down' with agreement from the National Westminster Bank, one of the business's main creditors.

That emerged yesterday when the Department of Industry released the text of a telex message to Mr. Spriggs by Mr. Alan Williams, Minister of State for Industry, in a disagreement over whether the Government would endorse the move.

This month the Prime Minister and Mr. Williams told the Commons that the best way of saving as many as possible of the 720 jobs at the factory, which makes central heating radiators and other products, would be for the co-operative to go into receivership.

The co-operative's new move is an attempt to avoid the uncertainties of receivership. Its leaders hope that they will receive a favourable enough bid for the assets of the subsidiary to enable many jobs to be saved.

The parent company could, they believe, then be put into liquidation and its debts cleared. Mr. Robert Maxwell, chairman of Pergamon Press, has said that he might make a bid for the factory. An important marketing company, Hill Foster, has expressed an interest.

## Korean TV makers seek European base

BY IAN HARGREAVES

SOUTH KOREA'S television exporters are seeking to establish manufacturing bases in Europe and the U.S. as part of their strategy to overcome import restrictions.

The Koreans achieved a marketing breakthrough in the UK yesterday, when the Radio Industries Council, which represents UK manufacturers, agreed to recommend to the Government that quotas on Korean black and white sets be replaced from June by a voluntary restraint agreement. The Government is almost certain to accept the recommendation.

The firmest Korean plan for manufacturing abroad is that of the Gold Star company, part of the Korean Lucky conglomerate. Mr. Sung-Chan Park, president of the company, said he hoped to tie up a deal to start manufacturing in the U.S. by the end of the year.

The factory, whose location has not yet been determined, will at first turn out 100,000 colour television sets a year. If the economics of the operation proved sound, further investment would follow.

Both Gold Star and Samsung, which together account for more than 70 per cent of Korea's television output, have also held talks with European companies about co-operation deals, but these are hampered at present by licensing restrictions on the

type of colour television technology used in Europe. The Koreans are limited to exporting 288,000 colour sets in the 17 months from February. Their industry has an immediate capacity of 1.2m colour units a year and its prime market is the U.S. as colour broadcasting has not yet started in Korea.

A delegation from the Electronics Industries Association of Korea, in London for yesterday's talks, said it was reasonably optimistic that the U.S. quota would be relaxed because the Japanese were unlikely to use the whole of their 1.75m sets U.S. quota this year. The price of Japanese sets has increased sharply in the last year.

The deal struck in London yesterday was welcomed by both sides as paving the way for more co-operative trading practices.

Mr. Oliver Sutton, director of the British Electrical Equipment Manufacturers' Association, said the talks had been friendly and realistic, but were unlikely to reduce the 35,000 sets a year the Koreans are allowed to export to Britain.

Dr. Wan Hee Kim, president of the Korean Association, said that in future the Koreans would ensure that the UK market was not suddenly flooded with any electronics product.

## Weather

UK TODAY

WINTRY showers or longer outbreaks of sleet in all areas. Snow in hills especially in the north. Max: 8C (43F).

London, E. and Cent. N. England, N.W. Scotland, N. Wales, Ulster

Wintry showers, heavy in places. Bright intervals.

S.E., Cent. S. and S.W. England, S. Wales

Showers, wintry on hills.

N.E. England, S.W. Scotland, Cent. Highlands, Edinburgh, Dundee, Glasgow

Outbreaks of sleet or snow. Clearer later.

Rest of Scotland

Sunny periods. Wintry showers.

● Outlook: Showers or longer outbreaks of rain. Sleet or snow.

WORLDWIDE

Y'day	midday	Y'day	midday
Algeria	18	Algeria	18
Algiers	18	Algiers	18
Amman	18	Amman	18
Bahra	18	Bahra	18
Bahrain	18	Bahrain	18
Batavia	18	Batavia	18
Bombay	18	Bombay	18
Buenos	18	Buenos	18
Calcutta	18	Calcutta	18
Canton	18	Canton	18
Cebu	18	Cebu	18
Colon	18	Colon	18
Hankow	18	Hankow	18
Hong Kong	18	Hong Kong	18
Kobe	18	Kobe	18
London	18	London	18
Lyons	18	Lyons	18
Manila	18	Manila	18
Medan	18	Medan	18
Meppen	18	Meppen	18
Moscow	18	Moscow	18
Mumbai	18	Mumbai	18
Nairobi	18	Nairobi	18
Paris	18	Paris	18
Perth	18	Perth	18
Rangoon	18	Rangoon	18
Reykjavik	18	Reykjavik	18
Rhodes	18	Rhodes	18
Rio de Janeiro	18	Rio de Janeiro	18
Rome	18	Rome	18
Salt Lake	18	Salt Lake	18
Singapore	18	Singapore	18
Stockholm	18	Stockholm	18
Suez	18	Suez	18
Taipei	18	Taipei	18
Tehran	18	Tehran	18
Tokyo	18	Tokyo	18
Toronto	18	Toronto	18
Tunis	18	Tunis	18
Valencia	18	Valencia	18
Vienna	18	Vienna	18
Warsaw	18	Warsaw	18
Zurich	18	Zurich	18



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